FINANCIAL TIMES

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WORLD NEWS

US delays Gulf escort operations

The US has suspended its escort operations in the Gulf to await eight American mine-sweeping helicopters.

US warships will resume escorting reflagged Kuwaiti tankers late next week after the threat posed by mines has been eliminated. The move follows the holing of Kuwaiti-owned tanker Bridgeton on its first voyage under the American flag two weeks ago.

The announcement coincided with an Italian proposal for a United Nations initiative to clear the Gulf of mines and a renewed Soviet call for the reduction of the US military presence in the area. Page 2; more Gulf news, Page 3

S Africa faces standstill

Some 200,000 South African gold and coal miners are likely to be involved in a walk-out next Monday. Many plan to walk to their homes miles away. The decision follows the rejection of the Chamber of Mines' pay offer. Back Page

Baker calls in industry

Business, trade union and professional representatives will form at least half the governing boards of England's 400 colleges of further education in a Government move to reduce local council control, announced Education Secretary Kenneth Baker. Back Page

Loyalists parade

Security forces are mounting a big operation in Londonderry today for the annual Apprentice Boys' Parade when 15,000 Loyalists are expected to march close to the Roman Catholic Bogside.

Rees seeks new inquiry

Labour MP Merlyn Rees called for a fresh inquiry into allegations that security service officers tried to destabilise the last Labour Government in which he was Home Secretary. Page 4

UK faces water action

The European Commission announced it is taking action against seven member states, including Britain, for failing to keep the purity of their water up to EC standards. Page 2

Iranian air chief killed

Brig-Gen Abbas Babaie, deputy operations head of Iran's air force, was killed in action.

Lebanese leader dies

Lebanese Finance Minister Camille Chamoun, a hardline Maronite Christian leader and former president, died of a heart attack, aged 87.

Former Japanese Premier Nobusuke Kishi, a member of the wartime cabinet who later helped found the alliance with the US, died, at 90. Page 3

Javed hits 260

Javed Miandad reached 260 to help Pakistan to score 616 for six on the second day of the final Test against England at The Oval. Captain Imran Khan scored 118 and Salim Malik 102.

Double air emergency

A TWA Tri-Star made two emergency landings at Heathrow within hours, after leaving for Boston. The trouble was in the same engine. Last night, passengers, who had first taken off at 11.40 am, were still grounded while a substitute aircraft was sought.

Poppy's wings clipped

Budgerigar Poppy escaped from her home at Codrington, near Bristol, and was captured at nearby village Westleigh, where she chirped her name and address. By the time she was returned her owners had installed a replacement budgie, Sammy. Poppy's wings have been clipped.

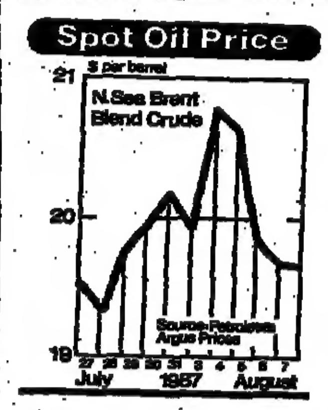
BUSINESS SUMMARY

B & C raises its bid for Mercantile

BRITISH & Commonwealth Holdings yesterday increased its offer to buy Mercantile House, the financial services group, to 575p a share, valuing the company at about £545m. This is £15m more than a counter-offer for Mercantile from Quadrex Holdings on Wednesday.

The offer has the "strong support" of the Mercantile House board which had failed to respond to Quadrex's counter-offer. Back Page

BRENT crude was weaker for the fourth successive day after the $1 surge in response to Iranian threats to avenge the deaths of pilgrims at Mecca last week. The price closed at



$19.60, seven cents below Thursday's level, while on the New York Mercantile Exchange Light crude was down about 10 cents at midday, at just above $21 per barrel for September delivery.

MERCURY Communications, UK fledgling rival to British Telecom, has made a breakthrough into the European public telecommunications market. Back Page

CONGRESSIONAL negotiators held talks aimed at extending the federal debt ceiling to prevent the US Government from running out of cash and defaulting on its security obligations from August 17.

RECENT economic developments in Britain compare favourably with its past and with current performance of other industrialised countries, says the Organisation for Economic Co-operation and Development. Back Page

US unemployment rate fell to 6 per cent in July. President Reagan described the figures as "remarkable" and based on strong growth. Page 2

TAKEOVER PANEL warned retail groups which have an interest in bidding for Sir Terence Conran's Storehouse Group that they should have declared it by now. Page 8

PEGASUS HOLIDAYS lost its High Court bid to quash the Department of Transport's provisional withdrawal of permits from flights out of Gatwick and Luton by aircraft flown by Romanian pilots on summer lease to UK airlines.

SINGER, US defence electronics group, has become the latest investment target of Mesa Limited Partnership, the main vehicle of Texas corporate raider T. Boone Pickens. Page 10

BRITISH Caledonian Airways board meets today to review its strategy following referral of its proposed £237m takeover by British Airways to the Monopolies and Mergers Commission. Back Page

DIRECTORS of Guinness, UK drinks group, will decide between September and the end of the year whether to move its headquarters from London to Edinburgh. Page 4

CENTRAL Electricity Generating Board chairman Lord Marshall expressed confidence about the planned privatisation of the electricity industry. Page 5

Nicaraguan peace plan agreed at regional talks

BY LIONEL BARBER IN WASHINGTON AND DAVID GARDNER IN GUATEMALA CITY

LEADERS of the five central American states meeting in Guatemala last night agreed a tentative regional peace plan aimed at ending the civil war in Nicaragua.

The plan includes provisions for a cease-fire in the strife-torn region. It hinges, crucially, on further delicate accords being struck between the central American states—Costa Rica, Honduras, Guatemala, El Salvador and Nicaragua—over the next three months and differs from a separate initiative put forward by President Ronald Reagan earlier this week.

Supporters of the plan—largely based on an initiative by President Oscar Arias of Costa Rica—hailed the outline agreement as a breakthrough but there was no immediate endorsement by the Reagan administration in Washington. A summit communique by the presidents of the five states was expected late last night.

Hours before the announcement, Mr George Shultz, US Secretary of State, said he was prepared to "meet anyone, anyhewer" to help the peace process. Mr Shultz's comments fuelled the general spirit of optimism but he ruled out Nicaragua's demand for immediate bilateral talks, highlighting an important disagreement between the two key players.

According to diplomats in Guatemala City—where the summit began on Thursday—the peace plan establishes a commission of the foreign ministers of the five countries, to meet within the next 15 days.

The commission would be charged with bringing about a regional ceasefire within 90 days of its first meeting, plus a simultaneous agreement by all five countries to halt any aid to rebels trying to overthrow another government in the area.

The foreign ministers would also put together a document outlining civil and political rights which the other countries would be obliged to adopt at the time of the ceasefire.

The resolution of these issues has eluded diplomats from the central American states since early 1983 when the so-called Contador group tried to negotiate a pease pact. Further obstacles to peace lie in the difference with the US plan put forward by President Reagan which was largely the work of Mr Jim Wright, the Texas Democrat who is Speaker of the House of Representatives.

The Reagan-Wright plan sets a far tighter deadline of 60 days for a ceasefire and for talks to be completed on civil liberties in Nicaragua to establish a framework for free elections.

Even more iportant, the US plan specifically demands the withdrawal in that period of Soviet bloc an dother foreign advisers. Last night, it was unclear whether the central American plan included such demands, which the US considers an essential condition for cutting off aid to the Contra rebels fighting the leftist Sandinista Government in Nicaragua.

Mr Wright—who first broke news of the progress in Guatemala City—said he had been telephoned at 4.30 am to be informed of a verbal agreement between the leaders. "It sounds very encouraging," he said. Mr Wright has come under fire from conservatives and White House for his willingness to negotiate with the White House and sections of the Nicaraguan leadership on a peace plan.

Some argue that he has made a high-risk gamble which—in the event of failure—leaves President Reagan well placed to argue for more money from Congress for military aid to the Contra rebels.

Earlier yesterday in Guatemala City, leaders of the US-backed Contra rebels arrived to lobby the summit meeting and underline their claim to be key players in any solution to their war. Contra leaders say they were informed about the US initiative on Tuesday night only half an hour before it was released on American newscasts.

The full Contra directorate, led by Mr Adolfo Calero and Mr Alfonso Robelo, had rejected suggestions that their forces had become pawns in Washington's proxy war with the Sandinistas and insisted there could be no peace in Nicaragua without taking them into account.

"(President) Daniel (Ortega) can seek Reagan's blessing if he wishes but without the people of Nicaragua he has nothing," said Ms Azucena Ferrey, a new addition to the Contra leadership drawn fro Nicaragua's internal opposition.

Shares fall sharply for second day

BY TERRY BYLAND AND HUGO DIXON

THE LONDON financial markets had another traumatic day yesterday in the wake of Thursday's one point rise in bank base rates to 10 per cent.

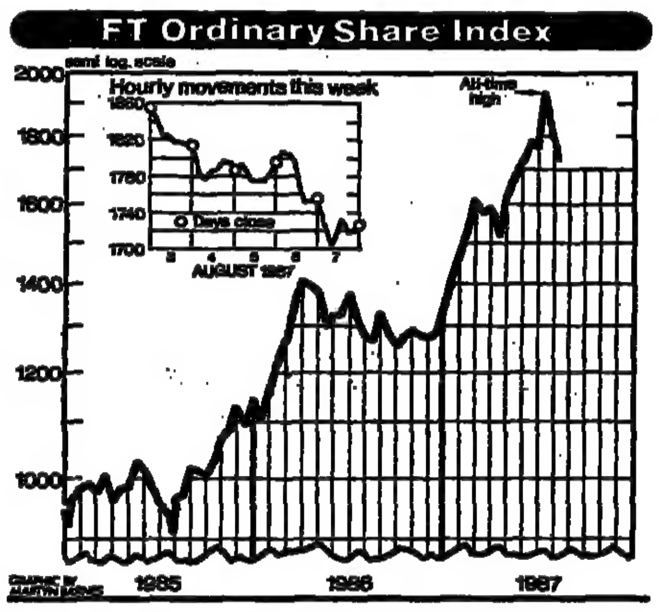
Share prices experienced a second day of sharp falls. The FT Ordinary Index closed 27.2 points down at 1726.9, following Thrsday's 42.5 point fall. The more broadly based FT-SE 100 index was 35.2 points down at 2226.2, having fallen by 56 points on Thursday. At one stage yesterday it was 65 points down.

The FT-SE index is now 8.8 per cent off its July 16 peak. In percentage terms, however, this week's daily falls in share prices are less than half those suffered in the worst days of the post-1973 market setback in the wake of the huge increase in oil prices and the secondary banking crisis.

City analysts agree that there is unlikely to be an attempt at a market rally until after the announcement due on Tuesday of the June trad efigures.

The trade figures are the first of a batch of economic statistics awaited apprehensively this month. Statistics on retail prices, earnings and money supply will all be scanned for signs of inflationary pressures.

The first effects of the increase in base rates on home loans were also felt yesterday.



The Halifax Building Society, Britain's largest, which on Wednesday had said it would be cutting its mortgage rate from 11.25 per cent to 10.8 per cent on September 1, yesterday reversed the decision.

Mr Jim Birrell, operations director, said the bank rate rise was a "clear signal that the authorities don't want to see lower mortgage rates."

He thought it likely that the Halifax would stick to a rate of 11.25 per cent for all borrowers; it would confirm this in a week or so after it had time to see that base rats were not going up further.

Lloyds Bank, which had cut its rate to 10.8 per cent at the beginning of this month, increased its rate yesterday. Abbey National ,the second largest building society, which was planning to charge 10.5 per cent from September 1, said, however, it had not made up its mind whether to move it up again.

Other building societies had not cut their rates from 11.25 per cent in the first place, so it is thought unlikely they will have to put them up in the short term.

On the stock market, the early part of the equity trading session saw some disarray, with the computerised price reporting system struggling with a surge of selling orders.

In spite of a technical rally which set in later, there was little sign of confidence as the new trading account opened at 3.30.

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Owen rallies merger opponents

By Tom Lynch

DR DAVID OWEN and his allies yesterday moved quickly to mobilise Social Democrats opposed to merger with the Liberals in what would be the nucleus of a new political party if the merger goes ahead.

Mrs Rosie Barnes, MP for Greenwich, south-east London, who has played a leading role in opposing the merger, raised the standard of the Campaign for Social Democracy—a name revived from the body set up by the SDP founders before they left the Labour Party—less than 24 hours after SDP members voted in a ballot to enter merger talks with the Liberals.

Dr Owen resigned as leader of the Social Democrats within minutes of the announcement of the ballot result.

The new organisation will try to rally as many as possible of the 19,228 SDP members who voted against the merger. The campaign is expected to gain the support of the SDP's trustees and major financial backers, Mr David Sainsbury and Sir Leslie Murphy, who support Dr Owen's stand.

Mr Dacid Alton, the Liberal Chief Whip, was seathing yesterday about the prospects for any separate group. "It would be fantasy to believe they can go off and become a fourth party and have any realistic chance of survival. History is littered with leaders who have gone into the wilderness."

Mrs Barnes wrote yesterday to the 1,600 SDP members who contacted the anti-merger camp during the campaign, telling them Dr Owen would lead the Campaign for Social Democracy.

"There are thousands of people who do not support negotiations for a merger and who are determined that the SDP will continue," she said. The letter argued that most SDP members would vote against the eventual merger package, but Mrs Barnes confirmed last night that the CSD would set up its own membership to be the nucleus of a separate party if the merger went ahead.

She said the campaign was "the current SDP." Its organisers had decided not to use the party name in a bid to avoid being provocative—there was certain to be a dispute over whether any new or continuing organisation could use the SDP name and logo.

WEEKEND FT

BOLIVIA

Since the collapse of the tin market, thousands of jobless miners in Bolivia have become Latin America's worst industrial casualty.
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Standard Chartered Bank sells stake in S African associate

BY HUGO DIXON IN LONDON AND JIM JONES IN JOHANNESBURG

STANDARD CHARTERED Bank, the London-based international bank, yesterday sold its 39 per cent stake in Standard Bank Investment Corporation (Stanbic), its South African associate, for £155m in what is the largest disinvestment ever from the country.

The Anti-Apartheid Movement, which has been operating a worldwide boycott against Standard since May, welcomed the sale. "The bank has finally realised that big business and support for apartheid do not mix," it said.

However, Standard's group managing director, Mr Michael McWilliam, said the decision to sell the stake to a group of South African investors had nothing to do with politics. It was taken for financial reasons.

The bank would be taking large losses on its exposure to Third World debt, when it announced its interim figures on August 18, and this would result in a "substantial reported loss."

By selling off the South African stake, Standard will go some way towards restoring its capital position, which is considerably weaker than those of Britain's other clearing banks.

However, Mr McWilliam said "it would be quite misleading to say it was the whole solution." The bank would have to look at other options, including a rights issue and selling off other parts of the group.

The deal has been designed to allow Standard to take out as much money as possible at the commercial rand exchange rate, rather than the less beneficial financial rand rate.

Stanbic is declaring a special dividend, of which Standard will get R157.5m as well as its R8.7m share of the interim dividend—all payable at the commercial rand rate. It will also be paid R558m at the financial rand rate.

Mr McWilliam said the deal gave Standard R19 a share, compared with R21 that Stanbic's shares had been quoted at before they were spspended on the Johannesburg Stock Exchange last week. Even so, Standard will be offering a loss of £36m on the disposal compared with the shareholdin's book value.

South Africa's Aeserve Bank, the central bank, apparently took no exception to the special dividend even though this will represent a drain on the country's foreign exchange reserves.

In Johannesburg analysts said the Reserve Bank's agreement was given as a sweetener to encourage Standard to maintain its banking ties with South Africa.

The special dividend will deplete Stanbic's capital and there will be a rights issue to restore it. This is being underwriten by Liberty Life and Gold Fields of South Africa (GFSA).

Once the rights issue has been completed and Standard's 39 per cent shareholding transferred, ownership of Stanbic's equity will be as follows: Liberty Life 30 per cent; Old Mutual 20 per cent; GFSA 10 per cent; Rembrandt 10 per cent; Standard Bank Pension Fund 5 per cent; and the public 25 per cent.

Search for a total solution, Page 8; S African miners to return home, Back Page

MARKETS

DOLLAR
New York lunchtime:
DM 1.890
FFr 6.3040
SFr 1.5720
Y151.60
London:
DM 1.8895 (1.893)
FFr 6.305 (6.275)
SFr 1.5720 (1.5)
Y151.50 (151.38)
Dollar index 104.9 (104.5)
Tokyo close Y151.23

US LUNCHTIME RATES
Fed Funds 6⅝%
3-month Treasury Bills: yield; 6.00%
Long Bond: 97⅜⅜
yield: 8.98%

GOLD
New York: Comex Dec latest $473
London: $463.25 (460)

STERLING
New York lunchtime: $1.5675
London: $1.5675 (1.5765)
DM 2.9625 (2.9675)
FFr 9.8825 (9.8925)
SFr 2.4650 (2.4625)
Y237.50 (238.50)
Sterling index 72.0 (72.1)

LONDON MONEY
3-month interbank:
Closing rate 10⅞ (10⅞)

NORTH SEA OIL
Brent 15-day August (Argus)
$19.60 (19.67)

STOCK INDICES
FT-Ord. 1762.9 (−27.2)
FT-A All Share 1129.44 (−1.8%)
FT-SE 100 2226.2 (−35.2)
FT-A long gilt yield index:
High coupon 9.90 (9.84)
New York lunchtime:
DJ Ind. Av. 2593.11
Tokyo:
Nikkei 24800.95 (+142)

Chief price changes yesterday: Back Page

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SELLING PRICE IN IRELAND 60p

US and Moscow move closer in INF talks

BY WILLIAM DULLFORCE IN GENEVA

THE Soviet Union and the US agreed to speed up preparation of draft treaties on nuclear disarmament before the meeting in Washington on September 15-17 between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart.

They are expected to prepare for a summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev later in the year.

After nearly three hours of discussion with Mr Max Kampelman, the chief US nuclear arms negotiator, in Geneva yesterday, Mr Shevardnadze said the two sides would make the best use of the time available to obtain a "mutually acceptable" agreement on the worldwide elimination of their intermediate-range nuclear forces (INF).

No effort was made to break the deadlock over the 72 West German Pershing 1A missiles. However, the careful language used on both sides at press briefings yesterday indicated that the US and the Soviet Union are "playing chicken" — testing each other's nerves before moving to a political solution outside the context of the Geneva talks.

Mr Shevardnadze said the position of the Soviet leadership—that the US-controlled warheads on the German missiles had to be part of any disarmament—was clear and unambiguous.

Mr Kampelman and Mr John Woodworth, the deputy US negotiator on INF, insisted again that the West German missiles were not up for negotiation in the bilateral US-Soviet talks in Geneva on an INF treaty.

Both sides dismissed recently reported compromises. No deal could be struck whereby the Soviet Union would destroy short-range Scud 1B missiles in return for the removal of the Pershings, Mr Shevardnadze said. The Scuds were tactical nuclear weapons and should be the subject of separate negotiations.

Mr Woodworth refused to entertain a suggestion that an INF treaty could leave the German missiles in place and allow the Soviets to deploy a similar number of warheads on missiles nominally belonging to their Warsaw Pact allies.

Mr Shevardnadze warned against complacency over the progress made towards a global "double zero" solution on INF. He likened the negotiations to a twin-engined aircraft flying on only one (Soviet) engine. The US engine would have to start running if he and Mr Shultz were to agree on anything in September, he said.

In a speech to the UN conference on disarmament on Thursday, interpreted by Western diplomats as an attempt to divide the coalition government in Bonn, the Soviet minister said West Germany would contravene the nuclear non-proliferation treaty if its Pershings were excluded

Mr Kampelman said Moscow was creating tension in the hope that the US would make concessions it would not otherwise have made, but past experience should tell the Soviets this would not happen. Mr Kampelman's guess was that the problem of the German Pershings would not be solved until the last minute.

George Shultz: pre-summit talks.

Eduard Shevardnadze: Soviet position 'clear'

Washington postpones escort operation

By Our Foreign Staff

THE US moved yesterday to reduce the threat posed by mines to its warships in the Gulf by postponing its escort *operations for reflagged* Kuwaiti tankers until late next week.

The delay is designed to allow time for the arrival of eight American minesweeping helicopters in the Gulf, and shows that the Pentagon is determined to minimise the risks being run by the US task force there—particularly in view of the mine which hit the Kuwaiti-owned supertanker Bridgeton on its first voyage under the American flag two weeks ago.

The announcement also co*incided with an Italian* proposal for a United Nations initiative to clear the waterway of mines, and with a renewed Soviet call for the reduction of the US military presence in the area.

Within the next *few weeks*, there will be about 24 US war*ships* and more than 15,000 American military personnel in the region.

In Geneva yesterday, Mr Eduard Shevardnadze, the Soviet Foreign Minister, said the situation in the Gulf was unpredictable and growing *more dangerous* by the day as the number of ships and weapons there increased. He said Soviet policy aimed at backing peace efforts by Mr Javier Perez de Cuellar, the UN Secretary General, and helping remove the root cause of tension, the Iran-Iraq war.

He added that an international embargo on the sale of arms to Iran as a follow-up to the ineffective UN Security Council call nearly three weeks ago *for a* ceasefire was "not on the practical agenda," and that discussions should also aim at removing the military presence of major powers, particularly the US, from the Gulf.

In Rome, the Italian Government said after a cabinet meeting that it had proposed that the UN Security Council should consider setting up a multi*national force to carry out* minesweeping operations *in* the Gulf. A statement from the office of Mr Giovanni Goria, the Prime Minister, said the proposal had been made during a telephone conversation yesterday between Mr Giulio Andreotti, Foreign Minister, and Mr *Hans-Dietrich Genscher, his* West German counterpart.

Seven EC states face action over water standards

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday announced it was taking legal action against seven member states for failing to keep the purity of their water up to EC standards.

It has sent warning letters to environmental authorities in Italy, Britain, West Germany, Belgium and Greece, demanding explanations for the apparently poor quality of their drinking water and—in Italy's case—bath water.

The commission also issued so-called "reasoned opinions" against France and Ireland for failure to put EC drinking water rules into national law.

Mr Stanley Clinton Davis, European commissioner for environment policy, said: "It is a disgrace that member-states should fail to respect the *laws which they have them*selves adopted."

The Brussels authorities took action over 155 water pollution complaints last year, up from 118 in 1985, said Mr Clinton Davis, who promised to "step up the pressure further during the current year."

The actions fall into three categories according to the directives concerned: protection of ground water against pollution, the quality of drinking water *and mercury pollution in water.*

On ground water, the commission is to take Greece to the European Court of Justice for failure to comply and is "well advanced" in a similar action against the Netherlands. It has also told Ireland and West Germany they are contravening the directive.

It has written to the British Government complaining about allegedly illegal levels of nitrite in water in the London borough of Tower Hamlets, lead in Scotland and nitrates in Norfolk. Warnings on drinking *water have also been sent to* Belgium, France and Ireland.

It has written to Italy protesting that it has failed to enforce adequate EC laws limiting the amount of mercury allowed in water.

Belgrade halts price rises

THE YUGOSLAV Government, apparently fearing social unrest, has rolled back widely protested increases in the price of bread, but announced yesterday that petrol prices would go up *for* the fifth time this year AP reports from Belgrade.

The state news agency said the increase was made necessary because of sharp depreciation of the Yugoslav dinar against the US dollar. Imports that must be paid for in dollars acount for 80 per cent of Yugoslavia's crude oil consumption.

Bread prices soared by more than 100 per cent from August 1, causing a wave of protest

High	Low	Company	Price	Change	Gross Div.(p)	Yield %	P/E
205	133	Ass. Brit. Ind. Ordinary	204	−2	7.3	3.6	12.5
206	145	Ass. Brit. Ind. CULS	204	−2	10.0	4.9	—
40	34	Armitage and Rhodes	38	—	4.2	11.1	5.3
142	67	BBB Design Group (USM)	90xd	−20	2.1	2.3	14.4
163	108	Bardon Group	153xe	—	2.7	1.6	27.9
176	95	Bray Technologies	175sus	—	4.7	2.7	14.0
252	130	CCL Group Ordinary	252	—	11.5	4.6	6.5
138	99	CCL Group 11pc Conv. Pref.	138	—	15.7	11.4	—
159	136	Carborundum Ordinary	158	−1	5.4	3.4	13.7
94	91	Carborundum 7.5pc Pref.	93	—	10.7	11.5	—
116	87	George Blair	115xd	−1	3.7	3.2	3.0
143	119	Isis Group	120	—	—	—	—
75	59	Jackson Group	75	—	3.4	4.6	8.3
440	321	James Burrough	440	—	18.2	4.1	10.0
97	88	James Burrough 9pc Pref.	97	—	12.9	13.3	—
780	500	Multihouse NV (AmstSE)	500	−10	—	—	19.8
526	351	Record Ridgway Ordinary	526	—	1.4	—	10.6
86	83	Record Ridgway 10pc Pref.	86	—	14.1	18.4	—
91	78	Robert Jenkins	78	−2	—	—	3.4
124	42	Scruttons	124sus	—	—	—	—
203	141	Torday and Carlisle	201	−2	6.8	3.3	9.8
420	321	Trevian Holdings	420sus	—	7.9	1.9	8.7
131	73	Unilock Holdings (SE)	117xd	−2	2.8	2.4	21.5
209	115	Walter Alexander	209	—	5.9	2.8	15.5
196	130	W. S. Yeates	196	—	17.4	8.9	19.6
175	96	West Yorks. Ind. Hosp. (USM)	127	—	6.5	4.3	13.5

Pasta peace clears last EC hurdle

By William Dawkins

The EC yesterday cleared the last hurdle to a peaceful solution to its dispute with the US over the subsidies Brussels pays for its pasta exporters.

The agreement, reached in principle earlier in the week, passed unscathed through yesterday's 2 pm deadline for member states to raise any objections. This means that, as from October 1, the pay*ments which the EC makes* to its—mainly Italian—pasta exporters to help them be more competitive on world markets will be cut by 27.5 per cent.

Moreover, subsidies will only apply to half of the EC's $30m to $35m worth of pasta sales to the US. The remaining 50 per cent of EC pasta exports will be made out of North American durum wheat imported into the community duty free.

The two sides came close to an open trade war during the seven-month negotiation, which came at a time when EC-US trade relations were coming under growing general strain. The US opposes agricultural export subsidies as a matter of principle, but the negotiators agreed to leave that question to the current Uruguay round of talks on the General Agreement on Tariffs and Trade.

Bonn withdraws curbs on fish

By William Dawkins in Brussels

West Germany yesterday agreed to withdraw its imposition of tough new border checks on imports of fish from Denmark and the Netherlands.

The Copenhagen government was angered when Bonn demanded new and more detailed health certificates for fish imports a week ago. The move was in response to widespread fears raised among the German public by a television programme about a dangerous parasite sometimes found in raw herring.

Danish diplomats in Brussels yesterday said they were happy with a promise from Bonn that it would accept normal health certificates and that it would no longer discriminate against *Danish and Dutch fish.*

US traders plan Dublin options exchange

BY HUGH CARNEGY IN DUBLIN

A GROUP led by Chicago financial traders yesterday announced plans to launch an international financial futures and options exchange in Dublin by the end of next year.

The exchange, to be called the European Mercantile Exchange, will be located in a *new International Financial* Services Centre currently being heavily promoted by the Irish Government with a package of incentives including 10 per cent corporation tax rates and big rent and commercial tax concessions.

Mr William O'Connor, an Irish-American and member of the Chicago Mercantile Exchange, said the EME would involve investment of about I£10m. The projected 250 seats on the exchange would cost I£25,000 each, compared with prices of more than I£200,000 *on London and Chicago ex*changes, he said.

A prospectus will be issued this month offering 60 founder seats at I£10,000 each to raise the I£600,000 needed to finance the establishment of the exchanges. A chief executive is expected to be appointed from Chicago shortly.

Mr O'Connor, whose partners include Mr Lawrence Geraghty and Mr Joseph Sims, respectively a former chief economist and a former vice-president of the Chicago Mercantile Exchange, said he was impressed *by the enthusiastic backing the* project had received from Mr Albert Reynolds, the Irish Industry Minister, and his officials.

The Irish government was not going to "throw stumbling blocks in front of EME" which might have been encountered from regulatory authorities in other countries.

There were some contracts and options which could be traded in Dublin but which were not accepted by US regulatory authorities, he added.

The EME is the first foreign-*backed project to commit itself* publicly to the new financial services centre in Dublin's Custom House Dock development area which the government hopes will become a prestige district offering thousands of high-quality jobs.

Unemployment in US falls to 6 per cent

By Lionel Barber in Washington

THE US unemployment rate dropped again in July to 6 per cent, the lowest level in 7½ years, the Labor Department reported yesterday.

President Reagan, describing the figures as "remarkable" said they were based on strong growth and steady job creation. "This breakthrough does not occur in a hyperinflated economy," he said.

On Thursday, the Reagan Administration raised its estimate of the 1987 inflation rate to 4.8 per cent, a full point higher than the 3.8 per cent it estimated in January. The Administration also raised its estimates for inflation over the next five years and for interest rates on long-term bonds, though Mr Beryl Sprinkel, chairman of the president's council of economic advisers, said inflation fears were exaggerated. In the Administration's mid-year economic review, which did not contain any firm forecast for the 1988 federal budget deficit, the GNP growth forecast for 1987 remains at 3.2 per cent. But officials have trimmed estimates for 1988 to 3.5 per cent (3.7 per cent).

The Labor Department recorded an 0.1 per cent drop in the jobless rate in July compared to the previous month. Over the past 12 months, the US jobless rate has fallen a full percentage point.

Last month's buoyancy was reflected in an unusual, seasonally adjusted growth in the manufacturing payrolls of 70,000 which more than offset a decline of 40,000 in the motor industry sector. The closely watched non-farm rolls rose by around 300,000 in July to *102.1m.*

Mexico to act on foreign debt

BY WILLIAM ORME IN MEXICO CITY

MEXICO expects to use some *of its record foreign exchange cache to amortise foreign debt* principal ahead of schedule, Finance Minister Gustavo Petricioli disclosed.

Details of the plan may be outlined on September 1 by President Miguel de la Madrid in his annual state-of-the-nation speech, Mr Petricioli said.

Mexico now has about US$15bn in foreign reserves, or more than double the US$6.8bn it possessed at the end of 1986, officials confirmed. An all-time peak, this reserves level reflects this year's rise in oil prices, the repatriation of billions of dollars of flight capital, the disbursement of more than US$4bn in foreign loans, and a 50 per cent jump in manufactured export earnings.

Industrialists, unions, and influential officials within the hierarchy have been pressing the Government to release more of these funds internally in an effort to stimulate growth. Despite Government projections of a 2 to 3 per cent expansion of the gross domestic product this year, Mexico's economy remained essentially flat in the first half of 1987, and economists are now predicting a growth rate of no more than 1 per cent for the year's second half.

Economic planners say they are resisting pressure to inject money into the economy quickly out of fear that it will exacerbate inflation, which is now running at an annualised rate of more than 125 per cent. This week, however, the Finance Ministry sent instructions to the nationalised banking system nearly to double lending to private business, a sign that officials are attempting to achieve a growth rate of about 3 per cent annually towards the end of the year, economists said.

The plans to prepay part of the principal on Mexico's approximately US$85bn public sector debt, an unexpected move, were disclosed late on Thursday, as Mr Petricioli accompanied Mr de la Madrid on a tour through northern Mexico. Finance Ministry spokesmen on Friday confirmed the accuracy of Mr Petricioli's remarks but said they had no *further information about the* apparent policy change. Mr Petricioli, en route to the southern state of Campeche, could not be reached for further comment.

Mr Petricioli's announcement also raises the question of whether Mexico intends to use all the foreign loan monies for which it remains eligible this year.

Mexico is still due to draw down the final US$2.5bn of the US$6bn commercial loan it received in conjunction with a 20-year debt-rescheduling pact concluded last March.

Setback for oil companies in price manipulation case

BY LUCY KELLAWAY

FOUR BIG oil companies have received a setback in their legal battle to defend themselves against charges of manipulating prices in the Brent crude oil market.

A *ruling by a* New York Federal Court has given Transnor, a small oil trading company, the go-ahead to proceed with a $87m case against the companies, which it claims last year conspired to force down the price of oil.

Shell, BP, Conoco and Exxon *had attempted to get the case* dismissed on the grounds that US anti-trust laws did not apply either to Transnor, which is based in Bermuda, nor t othe Brent market which is based in London with its oil produced in the North Sea.

The judge ruled that the Brent market was "primarily a US market" with about 50 per cent of traders and brokers based in the US. He noted that only 5 per cent of the trade on the market was delivered so that the place of delivery was *not relevant.*

Nationalisation has polarised opinion in Peru, **Barbara Durr** reports

Garcia takes a step to the left

A YEAR ago, on his first anniversary of coming to office, Peru's President Alan Garcia complained that credit was concentrated in the hands of large economic groups, but he said "nationalisation is not the solution."

Last week, he nationalised what remained of the private financial system, claiming his aim was "to democratise credit." Ten banks, 17 insurance companies and six finance companies are now to become state property.

Mr Garcia's reversal marks a leftward ideological shift toward greater state control of the economy and away from a pluralistic mix.

The result is a sharp polarisation. "The question has become: Are you in favour of private property or not? says *Mr Guido* Pennano, a leading economic commentator.

For some, the move to concentrate political and economic power in the hands of the ruling party, Apra, signals the beginning of totalitarianism. "It could mean the end of the freedom of expression and, ultimately, of democracy," read a large newspaper advertisement signed by 100 prominent personalities.

Such fundamental political questions were raised largely because the government chose to disobey three court orders suspending the 120 takeovers it had mandated while legislation for the nationalisation was approved.

To the surprise of many businessmen and bankers who supported him, Mr Garcia has abruptly abandoned an economic model whose *implicit* assumption was that the principal motor of economic development was the private sector.

Garcia: Overture rejected

Since mid-1986, he had been consulting closely with a small number of representatives of the most powerful business groups, who became known as the 12 apostles. Now one quip goes: "This is the first time the messiah betrays the 12 apostles."

The private sector's deep uncertainty about where the government is going is expected severely to undercut investment plans. "*President Garcia said in* his speech that this was the first step. Where will he stop?" asked one prominent economist.

Many now believe that Mr Garcia will move to nationalise more of the private sector, which accounts for 40 per cent of Peru's gross domestic product. Mr Garcia insists he will not, but his credibility is at rock bottom for the business community.

The slow pace of investment this year may be the main economic reason behind the President's move. Investment has barely reached 6 per cent of GDP, one of the lowest levels in decades, according to Mr Richard Webb, a former central bank chief.

According to Mr Raul Salazar, a private sector consultant, Mr Garcia acted because his economic model had failed to mobilise the resources he *required and the government* needed to tap the profits generated by the best-run companies in the country.

This will be accomplished with the nationalisation of the 17 private insurance companies, which, since they are obliged to hold approximately 50 per cent *reserves, own substantial blocks* of stock in these profitable companies, Mr Salazar said.

If the nationalisation legislation now before congress is approved, as is probable, the government will face a huge bill for the expropriated banks and companies. One estimate of their value was $500m, or about 3 per cent of GDP.

The constitution requires that payment for expropriations be made in cash. Since the government is already in the red, the central bank may simply have to print more money.

Mr Garcia *appears* willing to ignore the considerable economic risks of this move for political reasons. His popularity had been falling steadily and he had recently been somewhat overshadowed by two members of his own party.

Although Mr Garcia has painted the nationalisation as a blow against monopoly capitalists, it has not been as enthusiastically supported as he may have wished. One opinion poll showed 48 per cent of the public disapproved, while 42 per cent approved.

Political observers say Mr Garcia felt it necessary to reclaim centre stage in his party. He lost an important inter-party battle last month when Mr Luis Alva Castro, the former prime minister and his main rival within Apra, won the presidency of the house of deputies against his wishes.

Also, the new Prime Minister, Mr Guillermo Larco Cox, had begun to steal some of Mr Garcia's limelight. In addition Mr Garcia had been checked by the left. The most important opposition group, the six-party Marxist coalition called United Left, scored important victories *in strikes last May.*

The President has in sum antagonised his allies on the right and given new life to a left recently fractured and adrift. Nevertheless, Mr Garcia's leftward tilt has not opened the arms of the united left to him. His overtures for an alliance have so far been rejected.

Many speculate he may yet be forced to take more extreme steps.

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Protests greet return of Mecca bodies to Iran

BY ANDREW WHITLEY IN DUBAI

HUGE anti-US and anti-Saudi demonstrations were staged throughout Iran yesterday, as the second batch of bodies of pilgrims killed in Mecca during the recent violent disturbances arrived back in Tehran.

Parading the 50 bodies before the huge crowd gathered at Tehran University for the weekly Friday prayers, the authorities turned the event into a politically-charged wake for the dead. From the campus, the corpses were taken to a specially marked-out section of the Behesht-e-Zahra cemetery south of the city, for what the state radio described as "a glorious funeral."

Khameini: Warning

Demonstrators gathered again yesterday outside the Saudi Embassy in Tehran, taken over and ransacked last Saturday. But this time police prevented them from entering the premises.

Iran has felt increasingly isolated and threatened by the recent course of events in the region, from last month's UN Security Council resolution on its war with Iraq, to the universal condemnation it has received for the Mecca tragedy. That beleaguered feeling emerges strongly from the defensive speeches its leaders have been making in recent days.

Failing to appreciate that the Islamic Republic has "a natural and innate power base," the US is trying to kill off the Iranian revolution by "confining" it, President Ali Khamenei said at an Eid al-Adha festival marking the end of the Haj pilgrimage to Mecca.

The President said that the Mecca events had been misinterpreted by Iran's enemies as a conflict between the Shi'a and Sunni sects of Islam. In fact, it was a war between "revolutionary Islam and US-sponsored Islam ... between a genuine Islam and a false Islam."

Iran also continues to draw an explicit link between the deaths in Mecca, which it blames on the Saudi security forces "acting on behalf of the US," and the US tanker escort operation in the Gulf.

Addressing the Friday prayers meeting yesterday, Ayatollah Moussavi-Ardebili, head of the Supreme Court, called on the US to show why its much-increased naval presence in the Gulf was not a violation of the Security Council resolution Washington actively helped sponsor.

"The UN wants Iran to reply officially," he added, referring to the pressure Mr Perez de Cuellar, UN Secretary-General, has been exerting for a definitive statement from Tehran on the ceasefire call. "But it does not ask the US why it is violating Article Five of the resolution."

Article Five calls on all non-belligerents "to exercise the utmost restraint and refrain from any act which may lead to further escalation and widening of the conflict." Iran has argued consistently that by persisting with the tanker escorts the US has rendered the resolution "null and void."

Hardening up previous charges of US complicity in the Mecca events, Mr Ali Akbar Mohtashemi, Iranian Interior Minister, acused Washington of direct responsibility.

US seeks to persuade Shamir on peace talks

By Andrew Gowers, Middle East Editor

MR GEORGE SHULTZ, the US Secretary of State, is sending a top aide to Israel next week in what appears to be another forlorn effort to persuade Mr Yitzhak Shamir, the Israeli Prime Minister, to drop his opposition to an international Middle East peace conference.

The envoy is Mr Charles Hill, Mr Shultz's executive assistant and a former political officer at the US embassy in Tel Aviv. The visit, in which Mr Shultz has indicated he is investing considerable political capital, appears in part designed to counter criticisms that the US has not tried hard enough to change the Israeli Prime Minister's mind on the conference idea.

The Administration of President Ronald Reagan has been under pressure from its European allies, including most recently Mrs Margaret Thatcher, the British Prime Minister, to take more of a lead on the issue.

The Secretary of State said on Thursday that Mr Hill would be conducting "in-depth talks designed to dig in deeply and find out exactly how people see things."

However, his effectiveness may well be hampered by Washington's continuing insistence—reiterated this week by Mr Richard Murphy, Assistant Secretary of State—that it does not wish to interfere in internal Israeli politics.

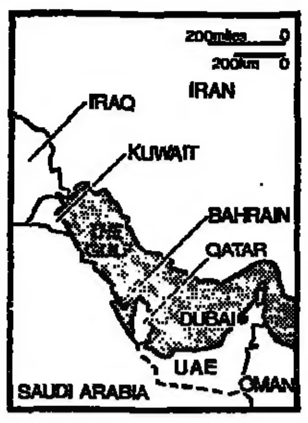
The idea of a conference attended by the five permanent members of the United Nations Security Council has been backed by King Hussein of Jordan. Such a gathering is also supported by Mr Shimon Peres, foreign minister in Israel's coalition government, as a useful prelude to bilateral negotiations between Israel and its neighbours.

However, Mr Shamir has consistently opposed a conference on the grounds that it might force Israel into making undesirable territorial concessions. He said this week that the international conference idea had "sunk" and that he would be holding talks in the next few weeks on alternative approaches.

Andrew Whitley looks at ways of coping with a flood of journalists

The Gulf grapples with the press

CAUGHT between bellicose blasts from Tehran Radio and their own natural inclination to adopt as low a political profile as possible, the smaller states of the Gulf have discovered that the blanket coverage of their corner of the world by the international media is one headache they do not know how to cope with.



How each of the countries has responded to the flood of journalists moving up and down the troubled waterway, trying to document every aspect of the US tanker escort operation and the Mecca disturbances, nevertheless gives an illuminating insight into their individual preoccupations.

Kuwait set the ball rolling three weeks ago. As part of its unprecedented diplomatic offensive to convince sceptics of the correctness of its decision to invite in the big powers, it was decided that Sheikh Saad al-Sabah, the Prime Minister, would give a rare press conference. But to get the word out to Peoria, Illinois, and all points east, one needs foreign journalists.

The local press in Kuwait remains the livellest in the Arabian Peninsula, even though adverse comment on government policy is not entertained.

The consensus throughout the Gulf is that Western-style reporting is simply more trouble than it is worth. The sheiks' usual response to Tehran's threats is, as one Western diplomat put it, "to stick their heads deeper into the sand and say nothing."

All the greater the surprise, then, when Kuwait abruptly threw open the doors and put out the welcome mat. The rationale appeared to be that bathing in the international spotlight might give this small, vulnerable country a degree of protection from Iranian bullying.

All went well initially. The press conference was a great success, from the Kuwaiti authorities' point of view, the convoy sailed smoothly through the Straits of Hormuz, and government officials were happy to be quoted as saying they did not expect any trouble.

Then the Bridgeton hit an unexpected mine, and within hours the mood changed. The official press centre at the Hilton hotel closed down. A planned "facility trip" out to the two approaching reflagged tankers was cancelled, and expiring visas were no longer automatically renewed for the promised further week. For most, the party was over.

Bahrain, doubly handicapped by its large Shi'ite population and the facilities it provides to the US Navy, adopted a different tack from the start. When foreign journalists applied for visas early in July, they were told to inquire again after August 7—by when the crtical first US convoy would have come and gone.

As its adroit handling of news coverage of the Stark disaster demonstrated, after the US frigate was accidentally hit by an Iraqi missile in May, the Bahraini Government is fully capable of managing the media in its own interests.

In a front page editorial scornful of the Reagan Administration's policy over the Gulf, one Bahraini newspaper said, with considerable insight, that it was clear "the US does not know what to do if one of the tankers is attacked by Iran." Like their counsins in the lower Gulf, the ruling Al Khalifas in Bahrain are anxious publicly to demonstrate an even-handed approach to the Iran-Iraq conflict.

Seekng an alternative observation point to Kuwait, Dubai is the obvious choice. Not only are most shipping men — the best source of information, given the current reluctance of officials — gathered here, but immigration controls for *bona fide* visitors are refreshingly relaxed, especially for British paspoort holders.

There were few surface indications of the acute discomfiture the United Arab Emirates Government feels in the present situation. Lukewarm in their endorsement of Kuwait's decision to reflag its tanker fleet, the sheikhs have nevertheless permitted Saudi AWACs to overfly their territory on surveillance missions over the Gulf on behalf of the US Navy.

For weeks, journalists had been chartering boats and helicopters, to venture out into the Gulf to see what was going on, with apparent impunity. Then official nerves suddenly snapped: in a highly unusual move, last Thursday plain clothes police raided Dubai's major hotels in search of the foreign press corps. Passports and equipment were seized.

New ground rules were subsequently laid down. One could report what was going on in the Gulf, provided the Emirates were not embarrassed in any way. But coverage of Dubai itself was off-limits.

Rangoon project to help the show go on

By Chit Tun in Rangoon

IT WAS a festive evening at the British embassy residence in Rangoon. Charley's Aunt, by Brandon Thomas, was being performed on a makeshift open-air stage on the lawn of the residence by amateur actors drawn from the foreign diplomatic and UN community in the Burmese capital. A select audience of distinguished guests was there to enjoy the play, and also the drinks the embassy provided with lavish hospitality.

Barely had the play started at dusk with the principal character, a young Oxford undergrad trying to write a love letter to his girl with the help of a friend, than the lights went out.

The young actors on the stage, however, continued with their dialogue in the darkness and in front of dead microphones, evidently determined that the "show must go on" whatever the interruptions.

The lights returned a quarter of an hour later, the audience burst forth with cheers, and the play went on merrily

Such embarrassing power failures, only too frequent in Rangoon for long, may soon disappear now that the Burmese Government has started rehabilitating the obsolescent power distribution system in Rangoon.

A two-year project for partial rehabilitation of the power distribution system in the outer area of Rangoon is under way. The fittings and equipment are being supplied by the Scottish company Bonar Cruickshank Power Engineering under a £20m contract. Britain provided a £6.4m grant in support of the project.

The Government is also setting up a 60Mw gas turbine power station in Rangoon to augment the power transmitted across 300 miles from the hydro-electric power plant at Lawpita in the Kayah state of east Burma. The project is being financed by a Y5bn (£20.6m) loan from the Japanese Overseas Economic Co-operation Fund.

Unrest forces more plants to close in South Korea

MOUNTING LABOUR unrest forced more plants to close or reduce operations in South Korea yesterday as officials said they feared the nation's export-led economy might be damaged, Reuter reports from Seoul.

Mr Rha Woong-bae, the Trade Minister, warned that labour disputes might "cause unemployment and set back overall economic development."

Mr Rha said he believed labour and management should discuss solving worker discord as quickly as possible. Long strikes could force South Korea to import parts from Japan or Taiwan to cover short supplies, he added.

Unrest has increased sharply since the Government conceded opposition demands for constitutional reforms to promote greater democracy, prompting workers to rebel against the country's restrictive labour laws.

Officials said more than 180 companies have been hit by strikes and other disruption since July 1, when President Chun Doo Hwan agreed to the political reforms.

State radio said workers' protests demanding higher wages and independent trade unions occurred at more than 40 companies yesterday.

Australia's opposition parties restore coalition

AUSTRALIA'S two main opposition parties have announced the restoration of their coalition, broken just before the general election last month, Reuter reports from Sydney.

Mr John Howard, the opposition leader, said in a statement on Thursday night that the Liberal and National parties would project a united and aggressive opposition to the Labor Party government of Prime Minister Mr Bob Hawke.

Queensland state Premier Sir Joh Bjelke-Petersen, a veteran National Party politician who played a key role in splitting the 40-year-old conservative coalition in April, said he remained opposed to the partnership but would withhold any immediate action.

The National Party's federal leader, Mr Ian Sinclair, said the rebuilt coalitio nwould provide an effective and cohesive basis for the conservative parties to oust Mr Hawke in the elections due in 1990.

Mr Howard, who heads the Liberal Party, has said the breakup of the coalition was the main reason for the opposition's third successive election defeat.

He said the two parties had agreed to joint coalition policies.

OBITUARY: CAMILLE CHAMOUN

Powerful Lebanese leader

BY NORA BOUSTANY IN BEIRUT

MR CAMILLE CHAMOUN, the former Lebanese president and once the most powerful Lebanese Christian leader, died of a heart attack yesterday. His death ended an era of traditional politicians who witnessed Lebanon's birth as an independent nation and its fragmentation in 12 years of civil war.

Born at the turn of the century, Mr Chamoun, a longtime ally of Britain and the US, died fighting for his views. Lebanon's finance minister in a crippled government of national unity, he spent his last days haggling with acting prime minister Selim Hoss over a Moslem proposal to sell some of Lebanon's gold reserves to buoy a flagging economy and tumbling exchange rate for the Lebanese pound.

A staunch critic of the armed Palestinian presence in Lebanon and an outspoken opponent of Syrian dominance, Mr Chamoun, 87, was the architect of a now-dormant alliance between Lebanon's Christians and Israel as a way of countering Moslem pressure for greater political clout.

Though dogmatic in his rejection of Moslem demands for greater power in Lebanon's ruling system, Mr Chamoun was known for pragmatism at times of crisis. He survived at least three major attempts on his life and died of natural causes.

A former ambassador to London, lawyer, businessman and parliamentarian, Mr Chamoun founded the National Liberal Party and headed the Lebanese Front, an alliance of Christian Maronite leaders.

Soviet Union and China resume frontier talks

CHINA and the Soviet Union said they would work hard towards settling their frontier disputes in demarcation talks which resumed yesterday, but Moscow's delegation warned that early results were unlikely, Reuter reports from Peking.

Soviet Deputy Foreign Minister Mr Igor Rogachev said on arrival that his team was in a working spirit but it was difficult to predict progress.

The disputes, which erupted into bloody clashes in 1969 across the Amur and Ussuri rivers, date back to treaties in the 17th century

China says it was forced to accept unequal treaties but is prepared to use them as a basis for talks.

OBITUARY: MR NOBOSUKE KISHI

Top pre-war planner to post-war premier

BY SIMON HOLBERTON

MR NOBOSUKE Kishi, 90, the man who dominated pre-war industrial planning in Japan and who rose to become the *eminence grise* of post-war politics, died in Tokyo yesterday after a seven-month illness.

Mr Kishi was a tough and intelligent bureaucrat and politician. As a bureaucrat, he was responsible for much of the thinking behind the industrial policies pursued by the Ministry of International Trade and Industry. As a prime minister, he cemented Japan's relations with the US and pushed through a security treaty in 1960, which has made Japan America's main ally in Asia.

In Japanese politics, it is said that "blood is thicker than water and most of it is Kishi's." His brother, Eisaku Sato (Mr Kishi was adopted into the Kishi line) served as prime minister from 1964 until 1972, while his son-in-law, Mr Shintaro Abe, a former foreign minister, is a prime ministerial hopeful. Two years ago Mr Kishi said it was his fervent hope to see Mr Abe prime minister before he died.

Mr Kishi was born in Yamaguchi Prefecture in 1897. In 1921 he graduated first in his class from the law faculty of Tokyo Imperial University and entered the Ministry of Agriculture and Commerce.

In 1924, when the government was looking to create a new ministry to deal solely with industry, Mr Kishi the junior of three bureaucrats delegated to devise a plan. From this, the Ministry of Commerce and Industry, the forerunner to Miti, was born.

A visit to the US in 1926 introduced him to the ideas of Henry Ford and Frederick Taylor, mass-production techniques tied to "scientific management", while a visit to Germany on his way back to Japan convinced him of the benefits of cartels in promoting economic efficiency.

Mr Kishi rose rapidly. He was behind the creation of certain laws in the early 1930s which sought to foster cooperation between companies of targetted industries while preserving elements of competition.

His relatively free hand in Manchuria—where he got to know Gen Tojo—allowed him to experiment further with the mix of administrative direction and limited competition within chosen cartels. He later wrote that he "imbibed the ideas of industrial guidance" while in Manchuria.

In October 1939 he was appointed administrative vice minister of commerce and industry—the pinacle of a bureaucrat's career in Japan. In 1941 Gen Tojo appointed him a minister of state, a title he retained when Tojo assumed formal ministerial control over the newly-created Ministry of Munitions and Mr Kishi resumed his position of administrative vice minister.

After the fall of Saipan, in mid-1944, Mr Kishi fell out with Gen Tojo. He said Japan should sue for peace. This event, which led to the collapse of the Tojo cabinet, marked him out as a man of courage.

After the war he was classified as an A class war criminal and imprisoned. He was pardoned in 1948, and in 1953 he entered Parliament.

He served as Prime Minister and leader of the Liberal Democratic Party (LDP) from 1957 until 1960. During his prime ministership, he successfully renegotiated Japan's security treaty with the US, an event which threatened to rip the country apart and which led to his resignation.

Prime Minister Kishi in 1959.

In retirement, he continued to exercise considerable influence over the LDP, especially in the area of appointments and in the arbitration of disputes unable to be reconciled by normal power-broking within the party.

Opposition to Lange is gaining in strength, Robin Pauley writes

NZ Labour loses its huge lead

WITH just one week to go before New Zealand goes to the polls, the Labour Government is losing its once huge lead in the opinion polls at such a rate that 10 or 12 key marginal seats could become critical.

At the start of the election campaign, Mr David Lange's Labour Party was given a daunting 26-point lead in the opinion polls. Most polls indicate that the lead has been more than halved as the calm and considered line taken by the National Party leadership takes it from strength to strength.

Although it would still take a lot for Mr Lange to lose, he is currently paying the price for his over-confidence. The opinion poll leads caused Labour to make a campaign strategy switch early in the campaign last month.

The party was so confident that it dropped its plans to campaign hard in Labour marginals, assuming it would hold them all without a heavy advertising campaign or calling on high-profile Cabinet speakers. Instead, they decided to try to increase their majority by pouring resources into opposition marginals with the hope of taking two or three.

Now their own marginals look decidedly shaky and with Mr Lange performing badly on television and an unusually high proportion of voters still undecided, anxiety is pervading the Labour camp.

Mr Lange has increasingly lost his sense of humour—as well as his sense of political public relations. At the same time, Mr Jim Bolger, the National Party leader, once thought of as rather dull and uncharasmatic, gains stature and confidence with every day that passes.

Mr Lange: ill at ease.

He has finally emerged from the shadow cast by Sir Robert Muldoon, the former leader whose economic policies have been widely blamed for driving the country towards crisis in 1983 but who invariably had a higher personal popularity rating than Mr Bolger in the public opinion polls.

Now, for the first time, public polls put him higher than Sir Robert as the best man to lead the party.

Mr Bolger has, like Mr Lange, been running a presidential-type campaign. They met on television for a grand debate which, contrary to expectations, turned into a disaster for Mr Lange. In a display of bickering and personal attack, Mr Lange appeared ill at ease, uncomfortable and reluctant to defend Labour's economic policies.

Mr Bolger also refused, as he has done throughout the campaign, to expand on his party's policies or to explain how the arithmetic of his pledges to cut taxes and spend more on health and education is supposed to add up. But he was cooler, calmer and persistent in his main objective—to attack the Prime Minister's credibility.

Both parties opted for a TV campaign concentrating on the leaders but that puts the onus on the performers to shine. If they fail in this, the nation sees it all. One night earlier this week, for example, viewers were treated to clip after clip of Mr Lange losing his temper with citizens critical of his policies.

Many groups ranging from students to fishermen who could have been won over with friendly good humour and banter have been left angry, resentful and smarting under the lash of Mr Lange's tongue.

He has been partly upstaged by the opposition stealing some of his best cards. An opinion poll for the National Party showed the overwhelming majority of New Zealanders to be soldily behind Labour's anti-nuclear policy. The party promptly changed tack and Mr Bolger announced that a National Government would also ban all US and other ships from entering New Zealand waters and ports unless they declared they were not carrying nuclear weapons.

The party still faces a big task to win. It needs to wrest 12 seats from Labour. However, in five of these it needs a swing of less than 3 per cent and in another four only 3.6 per cent. Some are in semi-rural areas which have been severely hit by the farm recession and removal of government subsidies under the tough sound-money policies pursued by Mr Roger Douglas, the Finance Minister.

The party has shied away from producing detailed policies but has concentrated on the hardship caused in some quarters during the economic restructuring. First-time home buyers face mortgage interest rates of between 21 and 25 per cent, inflation is high, unemployment is rising.

Labour's answer is that these are the short-term price which must be paid to get the economy right but better times will come.

The worry for both parties is the number of people who cannot decide who is right. An unprecedented 18 per cent have still not made up their minds which party to support next Saturday.

The vote for the NZ Party and Democrats (formerly the Social Credit Party) which played an important role in the last election in 1984, has collapsed.

The polls still suggest Labour will get back but if they do, Mr Lange will have had a jolting fright on the way back.

UK NEWS

Treasury control of Civil Service strengthened

BY HAZEL DUFFY

MRS THATCHER *has given* much of the management of the Civil Service to the Treasury, following a review of the distribution of functions between the Treasury and the Cabinet Office's Management and Personnel Office.

The move, planned for autumn, consolidates the Treasury's position in the relation of financial management to the Civil Service's development.

The functions to be transferred from the MPO to the Treasury include policy on matters which could increasingly shape the form of the Civil Service. They include performance-related pay, flexible working patterns, recruitment, retention and the use of consultants.

The MPO, to be reconstituted as the Office of the Minister for the Civil Service, will retain personnel functions on matters such as career development, equal opportunities, training, management development, and senior and public appointments. The Civil Service College, and the Civil Service Commission which recruits into the higher grades of the service, will continue to report to this office.

Mr Richard Luce will continue as minister responsible for the Civil Service, a post he combines with that of Minister for the Arts. He will be in day-to-day charge of the new office and will continue to answer questions in the Commons relating to matters dealt with by the *office. About 70 staff will be* transferred from the MPO to the Treasury.

The announcement by the Prime Minister's office was being seen outside Whitehall as the diminution of the MPO's functions. That has been almost inevitable since it was set up in 1981, when the Civil Service Department was abolished by Mrs Thatcher.

As a sub-department of the Cabinet Office without responsibility for Civil Service pay it has always had difficulties asserting its role in the face of the Treasury's dominance in many matters critical to management of the Civil Service.

In Whitehall the move was presented as a tidying-up of functions. The senior civil servants' union, the First Division Association, agreed there had been anomalies in the split on matters like grading and structure, which were in the MPO and are closely related to pay, managed by the Treasury.

However, the association supported the objections of the Council of Civil Service Unions. Yesterday the council said it was extremely concerned at the total lack of consultation about this decision. It was determined that personnel management issues, on which there was recognised expertise in the MPO, "will not take second place to the Treasury's well-known penny-pinching mentality."

Rees to seek fresh probe on security allegations

By Tom Lynch

MR MERLYN REES, a former Home Secretary, called last night for a fresh inquiry into allegations that security service officers tried to destabilise the last Labour Government, in which he held office.

Mr Rees, MP for Morley and Leeds South, told his constituency party that he would seek a full debate as soon as the Commons reassembles in October to discuss the allegations—raised repeatedly by Labour MPs in the House in recent months—and urge a "properly constituted legal inquiry."

"I will expect such an inquiry to include the dirty tricks carried out by some members of MI5, and possibly by some former members of MI6, together with the allegations made since 1977 of a dirty tricks campaign emanating from Northern Ireland, which included some politicians and an official then serving in the Foreign Office in London," he said.

He dismissed fears voiced by the Prime Minister that such an inquiry would jeopardise security, saying: "I need no instruction from her on the issue. It is my concern for security that leads me to demand an inquiry.

"What the Prime Minister must learn is that information on alleged dirty tricks against an elected government does not come under any conceivable definition of "security of the nation." The details of such dirty tricks must be completely and freshly available to the public.

Mr Rees says an inquiry should also make positive recommendations for a body to oversee the work of the security services and for a security ombudsman to deal with complaints about policy from security service staff.

"The time has come to bring the actions of the security services within the ambit of the law, and a properly constituted legal inquiry could begin the discussion on this difficult point.

"Unless there is such an investigation, we are going to live with a constant spate of allegations which will do no good to the security services. Only an inquiry can lance the running sore of all the allegations and then ensure that illegal activities will not occur again."

Michael Donne assesses the three main options facing British Caledonian

Airline considers a choice of flightpaths

THE BOARD of British Caledonian, as it meets today to consider its immediate strategy, has at least three options in the light of the Government's decision to refer the proposed takeover by British Airways to the Monopolies and Mergers Commission.

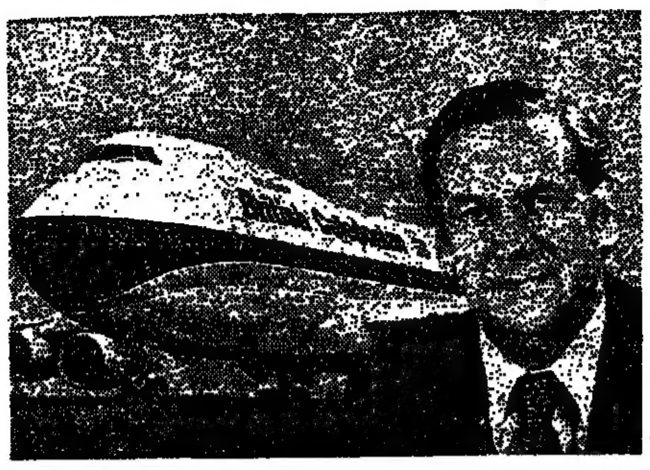
Both BA and BCal had fought hard to get the merger through without such a referral. BCal had even suggested, in its original submission to Sir Gordon Borrie, director-general of fair trading, that any such referral would create delays and uncertainties, in turn generating a "crisis of confidence" for the airline.

Whether that was an overstatement by BCal intended to sway the Government against a referral, only BCal knows. Clearly, the alacrity with which it seized on BA's £237m takeover offer two weeks ago was indicative of deep concern about its own long-term future.

With any merger decision now postponed for at least three months, the BCal board must reconsider its strategy. Its first option is to collaborate fully with the Monopolies and Mergers Commission, in the hope of persuading it to accept that the merger with BA is desirable and should be approved.

The second is to resume discussions with other potential collaborators, either in the UK or overseas, with a view to a merger or other working arrangement, in the event of the commission rejecting a merger with BA.

The third option is to consider seriously the offer made by Mr Harry Goodman's International Leisure Group.



Sir Adam Thomson: stressed need for quick decision.

Of the three, the last is the least likely to appeal to the BCal board. Not only is that offer valued at less than half the £237m originally offered by BA (being based on a premium over net asset values or slightly more than £100m), but also BCal has little taste for any kind of deal with International Leisure Group, after the failure of last year's discussions on possible collaboration.

Mr Goodman intends to pursue his offer and will be writing to the BCal board seeking financial details of its position in order to structure his bid.

The second BCal option offers some more attractive opportunities for the future. Prior to the BA offer, BCal had discussed collaboration with various airlines, including Alitalia of Italy, UTA of France and Northwest of the US. But although they made some progress, nothing had been agreed by the time BA's offer arrived, and they have been held in abeyance.

Such discussions could now be revived, at least on an exploratory basis. If BA believes BCal is worth buying, someone else is almost sure to feel the same way and might be ready to make an attractive bid, even while the commission is still studying the BA offer.

But it is the first option that appears the most sensible to adopt. If BCal is as serious about the merger with BA as it claimed in its submission to Sir Gordon, it would be wrong to back out now just because the commission is to investigate the deal against BCal's wishes.

BCal has everything to gain by continuing to campaign strongly, alongside BA, to convince the commission that despite criticisms from other independent airlines, the merger is desirable to strengthen the UK air transport industry and is less anti-competitive than its critics have claimed.

Although, in its original submission to Sir Gordon, BCal argued that it would be at risk if there was a long delay while a monopolies probe was undertaken, that danger has been significantly lessened by the Government's request for a report from the commission within three months—by late October or early November.

Until then BCal, which is enjoying a good summer, can continue to build up its strength and reassure its customers and creditors that it intends to stay in business, one way or another. Creditors are hardly likely to make trouble when they know that BCal is still visibly active in business, and is likely to be strengthened at some time by a link with another airline, whether BA or someone else.

This appears to have been recognised by Sir Adam Thomson, BCal's chairman. He has already commented that, had the commission's probe been likely to last the customary six or nine months, "we would have had to stop talking (to the commission) without a doubt," and get on with negotiations elsewhere.

He says that current bookings are, "OK and they are good for September. So we will really be faced with the beginnings of problems in October."

Sir Adam has stressed the need for a quick decision by the BCal board on what to do. "In the meantime, we can only try to keep up the spirits of the staff as best we can."

Over the next three months BCal will need strong, clear leadership such as never before. The staff will need to be encouraged to ensure that the quality of service remains high, and that customers' confidence is retained, so that the bookings continue to look good in October and November.

Air transport is at present buoyant worldwide and most airlines are making money. BCal will have to step up the fight for its share of that business, even while redefining its strategy for the long-term future.

Guinness to decide soon on Edinburgh office move

FINANCIAL TIMES REPORTER

THE GUINNESS board will decide between September and the end of the year whether to move its headquarters from London to Edinburgh, according to Sir Norman Macfarlane, company chairman.

He told a delegation from the Scottish National Party in Edinburgh yesterday that the board would have to make a commercial decision based on the best interests of the company and its shareholders.

During its take-over battle with the Argyll food group for the Distillers Company last year, Guinness, under former chairman Mr Ernest Saunders, gave a commitment to shift the headquarters from London if it gained control.

Since its victory Guinness has been under pressure from many quarters in Scotland to honour its undertaking. The Scottish National Party's three new MPs and Mr Gordon Wilson, party chairman, attended yesterday's meeting.

Mr Wilson said later: "We took up with Sir Norman our firm belief that the head office of Guinness should be in Scotland, that it was a promise and a binding undertaking which had been made by the company and that the new management of Guinness was still under an obligation to implement."

Mr Wilson quoted from a statement made by Sir Norman in 1982 warning of the dangers of removing decision-making from Scotland.

He said that locating the Guinness head office in Edinburgh, where Distillers has a large office, would undo a considerable amount of damage in-

Gordon Wilson: 'Guinness under obligation to move'

curred through the takeovers of other Scottish companies. He added: "We have been informed that the company will in fact take a decision between September and December."

Guinness issued no statement after the meeting, which was one of several the company has held with Scottish interest groups since Sir Norman took over as chairman.

Mr Wilson said: "There is no doubt in our mind that the company has woken up after its long sleep but we are not satisfied that enough has been done to ensure that this new Scottish identity will be maintained after Sir Norman has relinquished the chairmanship of Guinness."

International Leisure reports £15.2m profits

By Philip Coggan

INTERNATIONAL LEISURE Group, the tour operator and airline which recently went private, achieved pre-tax profits of £15.2m in the year to March 31, down from £23.5m in the previous year.

However, after excluding aircraft sales, operating profits increased by more than a third to £12.1m (£8.8m) on turnover 48 per cent higher at £43.6m.

ILG's departure from the stock market was designed to allow the group, which under the name Intasun is Britain's second biggest holiday operator, to build up its Air Europe airline.

Mr Harry Goodman, ILG chairman, recently offered to bid for British Caledonian, if the proposed merger with British Airways was referred to the Monopolies and Mergers Commission. The merger has since been referred.

In July, ILG sold its remaining British hotel interests to Mount Charlotte Investments for £96m, making a book profit of £35m. The company said

Labour 'should amend privatisation stance'

BY TOM LYNCH

A CALL for Labour to drop opposition to privatisation as part of a major policy rethink was made yesterday by Mr Sam McCluskie, party treasurer and general secretary of the National Union of Seamen.

Mr McCluskie, writing in the centre-left Tribune weekly newspaper, asks: "Wouldn't it be better to campaign for the genuine extension of employee share-ownership, coupled with a formal system of industrial democracy, rather than argue the case for retaining remote and generally unpopular state-owned monopolies? Do we honestly believe that the coal board is the embodiment of socialism?"

His call follows publication on Thursday of an opinion poll showing a marked shift in attitudes of trade union general secretaries, including 48 per cent support for the argument that a company's main duty was to perform profitably, even if that involved job losses.

Mr McCluskie urges Labour to move beyond simply reacting to Tory plans—a posture which had pushed the party on to the defensive "and worse still in some cases into defending the indefensible."

He cites as an example what he calls the inept response to the first council-house sales, which made Labour look as if it opposed home ownership. He suggests Labour may be making the same mistake over privatisation and warns that in opposing the proposed poll tax it may be "pushed into a corner where we must defend the present system of rates."

He says: "Is it really beyond the ability and imagination of this, one of the greatest democratic socialist parties of the world, to devise a fair and publicly-acceptable scheme for local government?"

Calling for Labour to "break out of the mentality of opposition and become a reforming party in earnest once again," he suggests reform of the press, the judicial system—including a Bill of Rights—and of government itself, perhaps with the House of Lords elected by proportional representation.

Mr McCluskie, calling for caution over the timetable, warns: "Any jettisoning of policies now, in the aftermath of defeat, would be seen by the electors for what it would be—a panic response—and would run the risk of renewing old right/left splits and arguments."

However, one measure he calls long overdue is "pressure—moral or otherwise—on the local authority representatives, especially in London, who play into Tory hands by allowing Labour to appear a party more interested in espousing the cause of minority interests and groups rather than the majority of local citizens."

He says Labour's general election campaign came across as fundamentally negative because it concentrated on attacking the Tories. Such an approach "fails to register with the majority who are in work, not waiting for an operation and whose children are in a good state school.

"If we are to look like a party of potential government, our aim must be to present a positive face, to expound a vision for the future based not solely on the shortening of dole queues or hospital waiting-lists but also on optimism and prosperity for all."

Staff advice service launched for accountants

By Andrew Taylor

MSL INTERNATIONAL, a leading executive recruitment consultancy, has launched a financial executive recruitment service for chartered accountants and their clients.

MSL Professional Link has been designed for accountancy firms which are often asked by clients to find senior executives but do not have the capacity to to the work themselves.

Mr Nigel Bates, head of MSL's recruiting unit said: "Accountants, as part of their consultancy services, often advise clients to appoint new staff but do not have the expertise to assist with the actual recruitment."

He said that medium-sized accountancy firms lacked the capital base to compete with large international accountants

The new service, which had been specially designed for accountants and would be backed by a strict code of conduct, would fill an important gap

Insurers' AIDS move questioned

FINANCIAL TIMES REPORTER

THE BRITISH Medical Association said yesterday it was concerned about questions on sexually transmitted diseases which are to be put to all life assurance applicants.

Under guidelines published by the Association of British Insurers last week, applicants will be asked if they have been counselled about sexually-transmitted diseases or had an AIDS blood test.

The BMA is worried that the questions could stop people seeking medical advice, and plans to raise the issue at a meeting with the association.

According to Professor David Wilkie, a member of the AIDS working party set up by the Institute of Actuaries, the number of deaths from the virus is expected to peak at about the end of the century, then fall and level out about 20 years later.

He forecast recently that premiums for life and sickness insurance would rise substantially for men in the 20-35 age group.

He is predicting the extra number of deaths from AIDS to be as high as 90,000, peaking in 1999, and settling down to 15,000 extra deaths, assuming 10 per cent of the male population is homosexual.

Assuming that 2.5 per cent of males are homosexual, the peak, reached in 1997, could be low as 25,000, levelling out at 4,000 extra deaths.

However, his central thesis of 5 per cent of males being homosexual would result in 48,000 extra deaths, with a further 63,000 suffering from AIDS by 1998, settling down to 7,500 extra deaths by 2,018.

Inner cities 'not the only problem areas'

BY TOM LYNCH

A WARNING against placing too much emphasis on the problems of the inner cities was given last night by Mr Leon Brittan, the former Trade and Industry Secretary.

Speaking to Conservative Party members in his Richmond, North Yorkshire, constituency, Mr Brittan argued that the economic problems of many parts of the UK were centred on areas which were not inner cities.

"If we concentrate exclusively on thei nner cities we shall give the impression that we do not really understand the essential nature of the problems of theNorth of England and Scotland. For the divisions and imbalances in our economy and our society are not primarily related to the problems of the inner cities, important though those are."

Print groups asked for training cash

By Charles Leadbeater

COMMERCIAL printing companies are being called upon to donate more than £500,000 by the end of October to set in train the first stage of a £4m joint government-industry investment in training at 10 colleges.

In one of the largest industry training initiatives supported by the Government, the Trade and Industry Department has offered to provide £2m over the next three years to purchase modern equipment for the colleges—on condition that local authorities and industry match the state funding. The first £600,000 tranche of state funding is available from October.

The industry's contribution will be channelled through the Printing Equipment Educational Trust, which has so far raised £80,000.

Mr Tony Keeble, director of education and training at the British Printing Industries Federation, said the investment was aimed at turning the colleges into regional centres of excellence on a par with those in competitor countries such as West Germany.

It will be the first time the industry has been asked to directly fund any of the 24 training colleges around the country. It will be seen by many as a test case of whether industry is prepared to increase its spending on training.

Mr Keeble said the colleges, which are under the control of local education authorities, have been starved of funding for 10 to 15 years. As a result, students were being trained on technology much older than the equipment they were likely to use in employment.

In a separate initiative, working parties set up by the federation to develop a series of qualifications to raise the standard of management training, are likely to deliver detailed proposals by next spring.

Chief picked for Jobcentres merger plan

By Charles Leadbeater

MR NORMAN FOWLER, Employment Secretary, yesterday took the first steps towards creating the team which will manage the merger of the Unemployment Benefit Service with Jobcentres, which advertise vacancies.

At the end of last month, Mr Fowler announced plans to transfer responsibility for Jobcentres from the Manpower Services Commission to the Department of Employment.

Mr Michael Fogden, under-secretary for the manpower policy division at the Employment Department, was yesterday appointed chief executive of the service. Mr Steven Loveman, director of field operations for the MSC's employment and enterprise group, will be his deputy.

Jobcentres, which have a budget of about £125m for this financial year, handled 2.4m vacancies last year and placed 1.9m people in jobs.

Mr Fogden, who was assistant private secretary to two Social Services Secretaries between 1968 and 1970, became under-secretary responsible for management and computer services at the Department of Health and Social Security in 1983.

Responding to Mr Fowler's proposals, the MSC warned that the merger could endanger links between Jobcentres and the commission's training programmes.

Brass band supplier faces the music after an extended solo

Alice Rawsthorn on instrument maker Boosey & Hawes

BRASS BANDS conjure up images of red cheeks and shiny instruments, on seaside bandstands or windswept Pennine market squares. Yet beneath their jolly facade and their oompah music, a bitter battle is brewing.

For years the bands turned to Boosey & Hawkes for their instruments. They did so partly because the quality of Boosey's instruments is so fine, and partly because they had little choice if they wanted to buy British—for Boosey has dominated the British brass instrument industry for decades.

All that changed a year ago when Brass Band Instruments set up business in Luton. Boosey retaliated, first by mounting an unsuccessful legal case against BBI and then by cuttnig off supplies to the two instrument dealers backing it.

Months of wrangling ended last week when the European Commission ordered Boosey to resume supplies and the company is now bracing itself to meet a new source of competition.

The emergence of a competitor is the latest in a long series of blows for Boosey's business. Brass bands emerged in the mid-19th century when almost every mill and mine in the country formed a band to pipe popular tunes and processional marches. Their instruments were made by a web of workshops, the most famous of all being Besson, now owned by Boosey.

The brass band movement peaked just before the First World War when there were 10,000 bands throughout Britain. A legacy of competitions and championships still makes up the brass band year, but the movement has shrunk into decline. The enthusiasm of the musicians and the standard of their music is as high as ever, but there are only 2,500 bands left in Britain and Boosey supplies 85 per cent of their instruments.

Even so, by the early 1980s Boosey was in trouble. Poor financial controls, overmanning and archaic equipment pushed the instruments division into losses, only to be bailed out by the profitable publishing interests. The team of marketing men that took the helm early in the decade tried to tackle its problems with a stream of new marketing strategies, but the business went from bad to worse. Predators prowled, yet Boosey clung to its independence.

The new regime—under Mr Ronald Asserson, who took over as chairman in 1985—has got to grips with the problems. A combination of cuts and a stable marketing strategy is nursing the instruments division back into profit. Moreover the brass instruments market looks more fertile than it has for decades.

Wind bands, ensembles of brass and woodwind instruments, have sprung up in schools during the 1980s, while US-style marching bands have become popular in the south-east. Moreover wind bands are gathering momentum in other parts of Europe, such as Scandinavia, the Benelux countries and West Germany.

Hitherto Boosey's scope for European expansion has been constrained because many of the traditional brass bands prefer instruments with rotary valves, rather than the piston valves favoured by British bands. And although it has nurtured export markets in the Third World, it missed the opportunity to move into the booming US and Japanese markets in the 1960s.

The wind band phenomenon represents a sorely needed opportunity for Boosey. So far wind bands have proved more receptive than brass bands to cheap imported instruments from Czechoslovakia, China, East Germany and Taiwan. But Boosey has taken the initiative of sponsoring wind band competitions to encourage the sort of long-term interest that has sustained brass bands. It may also consider introducing a range of rotary valve instruments.

Boosey, then, has hauled itself back from the brink only to find itself faced with a new source of competition. Brass Band Instruments was formed last year as a joint venture. The participants are Mr Christopher Waters and Mr Paul Riggett, who own the two dealers Gabriel's Horn House and RCN Music, Mr David Bailiff, a former Boosey executive, and an anonymous fourth investor.

BBI intends to become a low-cost competitor to Boosey by importing from overseas, assembling the instruments in Britain and selling them for almost a third less than

Ronald Asserson: heads the team that got to grips with Boosey's problems

Boosey—a BBI cornet will cost £650, compared with £950 from Boosey.

Mr Bailiff maintains that, far from posing a threat to Booosey, the availability of a cheaper alternative will drum up new interest in brass music. With the EC ruling behind it, BBI hopes to start selling its instruments by the end of the year and, eventually, to capture a quarter of the British market.

Boosey may have gone from problem to problem, but the quality of its instruments did not suffer. If overseas companies like Yamaha in Japan and Selmer of the US have failed to make inroads into the market, will a British manufacturer have better luck?

As Mr Trevor Austin, managing director of Rosehill Instruments, one of the largest dealers, put it: "Whether they are right or wrong, to most brass bands in Britain the only 'real' brass instrument is one made by Boosey and Hawkes."

OECD SURVEY

BY JANET BUSH

Economy expected to keep growing

BRITAIN'S economic growth should continue to compare favourably with that of other leading industrialised countries over the next 18 months but high unemployment and inflation remain significant problems, according to the Organisation for Economic Co-operation and Development.

In its first survey of Britain since January 1986, the OECD concludes that the economy is moving in the right direction but urges against complacency. The report stresses that more encouraging recent developments have to be put in the context of the previous long period of relative decline and an unsatisfactory performance by other leading economies.

On the positive side lie healthy growth prospects. Domestic demand remains buoyant with the help of lower interest rates and income tax cuts, and a revival in investment and consumer demand continues to be relatively strong. The OECD forecasts 3½ per cent growth in the average measure of gross domestic product this year, slightly more than the Treasury's forecast of 3 per cent.

But growth is projected to slow to 2¼ per cent in 1988 as Britain's export performance suffers from losses in competitiveness resulting from the recent appreciation in sterling and higher cost increases than abroad. This, in turn, may adversely affect investment activity, while consumer demand is likely to weaken as a result of lower real income growth.

In view of the present pace of GDP growth, the OECD says, it is important that the planned financial deficit in 1987-88 should not be exceeded. To ensure this, firm control on expenditure is required.

The report acknowledges the Government's progress in bringing down the public sector financial deficit as a proportion of GDP but says the proportion should fall further. It suggests this will be achieved if the Government keeps to its stated aim of keeping the Public Sector Borrowing Requirement at 1 per cent of GDP and if the proceeds from privatisation then fall as a share of GDP.

The OECD notes the key steps already taken to improve the supply side of the economy but says the momentum must be kept by implementing a wide range of reforms without undue delay in important areas such as personal taxation, social security, local authorities and housing.

Two big problems cloud the outlook, according to the OECD. These are the high rate of unemployment and the persisting inflation differential against trading partners.

"The challenge to the authorities is to ensure, through a consistent but flexible implementation of their strategy, that further improvements in the labour market are achieved while maintaining external equilibrium and downward pressure on inflation," the report says.

While unemployment trends have seemed more favourable since mid-1986, the improvement has been due partly to special government schemes. However, such measures cannot be a substitute for more fundamental improvements in the functioning of the labour market and, in particular, the wage formation process.

The OECD notes high unemployment has not depressed real wage growth to the same extent as in other countries. The comparatively rapid increase in British wages represents a significant problem.

Despite improved productivity during the 1980s, unit labour costs have grown more than in trading partner countries. Although gains in competitiveness were gained from sterling's depreciation, the fall in the exchange rate has also made further progress towards price stability more difficult.

"With oil prices much lower than those prevailing in the early 1980s and oil production likely to decline, it is therefore important that wage growth should moderate so that inflation can decline further and external difficulties be avoided," the report says.

Largely reflecting productivity developments, the growth in unit labour costs is projected to accelerate again. The resulting upward pressure on inflation will be only partly offset by the dampening influence of sterling's recent appreciation.

The OECD sees the current account showing a slightly rising deficit in the period ahead in spite of an expected improvement in the terms of trade. In addition, invisible earnings, which were boosted by special factors in 1986, are likely to be resumed following the temporary improvement early this year.

It forecasts a current account deficit of only £500m this year, well below the Treasury's Budget forecast of a £2.5bn shortfall, but rising to £2.5bn in 1988.

SHORT-TERM PROSPECTS

Percentage changes from previous period, seasonally adjusted annual rates

	Treasury 1987	OECD 1987	OECD 1988	OECD 1987 I	OECD 1987 II	OECD 1988 I	OECD 1988 II
Volumes (1980 prices)							
Private consumption	3¾	3¾	3½	3¼	4	3½	3
Government consumption	1	1½	1	¾	1	1	1
Gross fixed investment	4	2¾	3½	3	5½	3½	1½
Public	−1	−7½	−¾	1¾	−¾	−¾	−¾
Private	5	4½	4¼	3¼	7	4½	2½
Final domestic demand	3½	3½	3	2¼	3¾	3	2½
Stockbuilding*	¼	0	0	¼	¼	0	0
Total domestic demand	3½	3¼	3	3	3¾	3	2½
Exports	4	4¼	1½	2¾	1½	1¼	1½
Imports	6	4½	4½	−2	5½	4½	3½
Foreign balance*	−½	0	−¾	1½	−1	−¾	−½
GDP†	3	3½	2¼	3½	2½	2¼	1½
Memorandum items:							
GDP deflator	0	4½	5½	4¾	5½	5½	5½
GDP at current prices	0	8	7¾	8½	8½	7½	7½
Real personal disposable inc.	3½	3¾	3½	4	3½	3	2½
Personal saving ratio	0	11	10¾	11	10¾	10½	10½
Consumer prices‡	4	4	4½	4¼	4¼	4¼	4¼
Employment	0	1	1	1½	1	1	½
Unemployment rate§	0	11½	11	11½	11	11	10¾
Manufacturing production	4	4½	3½	3½	4	3	2½
Current balance of payments							
(£ billion)	−2½	−½	−2¼	0	−1	−2	−3
($ billion)	0	−1	−4½	0	−2	−3½	−5½

* Change as a per cent of GDP in the previous period.
† Compromise estimate of GDP at market prices for OECD and at factor cost for the Treasury.
‡ Private consumption deflator for OECD and fourth quarter retail price index for the Treasury (growth rate over same period a year earlier).
§ Per cent of the labour force, including school-leavers.
Sources: Financial Statement and Budget Report, 1987-88 and OECD projections.

Competition increases in financial markets

THE GOVERNMENT'S policy of liberalising London's financial markets has increased competitive pressure and cost efficiency but has complicated monetary policy and supervision, the OECD says in a special article.

Britain's financial sector accounts for a higher proportion of gross domestic product than that of most other OECD countries.

Over the past decade, real output of the financial sector, using a broad definition to include such areas as owning and managing property, has grown by about 60 per cent. In comparison, real gross domestic product has grown by about 20 per cent and manufacturing output, apart from cyclical fluctuations, has remained broadly unchanged.

The total net overseas earnings of financial institutions increased sharply in the 1980s. As a proportion of GNP, they amounted to ½ per cent in 1975 and 2 per cent in 1985.

However, the OECD says this impressive result needs to be kept in perspective. Financial services still amount to not much more than 4 per cent of total exports of goods and services, broadly unchanged from the mid-1970s, and Britain's share in world exports of these services has declined.

While acknowledging the financial sector is among the most dynamic in the economy and has maintained an importance in world financial markets far exceeding that of Britain's economic base, there are some problem areas.

One source of distortion is the taxation system, which favours certain forms of savings. This affects competition between different types of financial institution and may distort the allocation of savings between competing investment uses.

Discrimination between different forms of savings has been accompanied by enormous changes in the composition of personal net worth over the past 25 years. The proportion of privileged assets such as houses, pension funds and insurance contracts has meant a significant increase in the amount of investment channelled through institutions. By encouraging flows into such institutions, risk premiums throughout the market may be higher than would otherwise be the case.

Before the deregulation of financial markets last October, transaction costs were relatively high compared with other countries. This is now improving rapidly.

The deregulation and structural change of financial markets has altered the ways in which the authorities are able to influence the growth of monetary aggregates.

"Short term interest rates now have to carry the whole thrust of monetary policy and they may therefore be higher than if direct controls and overfunding were in operation," the OECD says.

The process of deregulation has also made supervision more demanding. Britain's supervisory framework, which is constructed on functional rather than institutinoal lines, may cause formidable problems of co-ordination between the different supervisory agencies relevant to any single financial institution which conducts a wide range of business.

However, the OECD sees no alternative as institution-based supervision tends to become ineffective and inconsistent when the distinction between different activities become blurred.

OECD Economic Surveys 1986-87, United Kingdom, July 1987, OECD, 2, Rue Andre Pascal, 75775 Paris Cedex 16, France. Annual subscription for the surveys of each OECD country £40.

FINANCIAL SECTOR'S SHARES % OF GDP

	1970	1975	1980	1985	1970	1975	1980	1985
	Finance institutions and insurance				Including real estate and business services			
UK	—	5.9	6.3	7.0	15.0	16.5	17.7	19.7
US	4.2	3.9	4.6	4.7	18.5	18.4	20.7	22.8
Canada					9.8	10.4	10.3	13.0*
Japan					12.3	13.4	14.6	15.2*
Germany	3.2	4.5	4.5	4.7*	8.2	10.4	10.3	12.2
France					13.4	14.8	16.6	18.1*
Italy					16.7	19.5	18.2	20.5
Switzerland†	3.6	4.5	5.3	6.9*				

* 1984. † Excluding insurance.
Sources: OECD National Accounts and CSO

Skills shortages 'hold back small companies'

By Hazel Duffy

SMALL COMPANIES' growth is being held back by skills shortages, according to the latest trends survey conducted by the Smaller Firms Council of the Confederation of British Industry.

The shortages are affecting pay bargaining, with some companies having to offer substantial inducements to attract skilled workers. Vacancies emphasised as particularly difficult to fill included those for machinists, welders, printers and design and electronics engineers.

In other respects the picture presented by the survey was encouraging. Mrs Jean Parker, council chairman, said small firms "are enjoying a fast rate of growth of orders and output, investment intentions are up, costs and prices are rising less rapidly and employment is accelerating."

CEGB chief positive about sale

BY MAURICE SAMUELSON

LORD MARSHALL, chairman of the Central Electricity Generating Board, has broken his silence on the forthcoming privatisation of the electricity industry with a strong indication that he is confident and positive.

In a letter to staff, published in the CEGB's house journal, he says privatisation will present opportunities as well as challenges.

"After all, electricity has had a successful history as a nationalised industry. I have no doubt it can have an equally successful future in the private sector."

The board also disclosed that it has set up a team of senior officials to deal with privatisation issues. Headed by Mr John Baker, corporate managing director, it will co-ordinate the board's response to privatisation issues and support Lord Marshall in his dealings with ministers.

In his letter Lord Marshall makes no reference to the board's hope that it will remain largely intact and that ministers will resist proposals for a radical fragmentation of the industry.

Lord Marshall: "successful future in private sector"

Instead, he says his advice to the Government will be based on "the interests of customers and the overriding need to continue the secure and economical supply of electricity and the interests of the industry's staff—to make sure your concerns on issues like pay, job security and pensions are fully and properly considered."

● The Electricity Council, umbrella body of the electricity industry, has appointed merchant bankers N. M. Rothschild and Son to act as its financial adviser on privatisation.

Price Waterhouse, the accountancy firm, is advising the council on such issues as the organisational restructuring of the industry, the degree of competition to be introduced, how it will be regulated and how it will be sold.

In theory, Rothschild will advise the industry because the Electricity Council embraces the CEGB and the 12 area distribution boards.

ECONOMIC DIARY

TOMORROW: South African black miners start nationwide strike.

MONDAY: Credit business (June). Retail sales (June final). Producer price index numbers (July provisional). BOC Group publishes third quarter figures.

TUESDAY: Balance of payments current account and overseas trade figures (June). General Accident issues interim figures. Amro Bank interim results.

WEDNESDAY: Interim statements from Commercial Union Assurance and Smith and Nephew. Dutch unemployment figures (July).

THURSDAY: Index of output of the production industries (June). Labour market statistics: unemployment and unfilled vacancies (July provisional); average earnings indices (June provisional) employment, hours, productivity and unit wage costs; industrial disputes (July). Provisional figures of vehicle production (July). Financing of the central government borrowing requirement (second quarter). UK banking sector statistics (second quarter). Money stock (second quarter). Swiss trade figures (July). Royal Dutch/Shell first half figures. BP second quarter results. US advance retail sales (July).

FRIDAY: Usable steel production (July). Tax and price index (July). Retail prices index (July).

Cheap flights offer revives fears for travel trade

By David Churchill, Leisure Industries Correspondent

TWO BRITISH Airways package-tour operators, Enterprise and Flair, are today offering return flights, without accommodation, to 13 popular European holiday destinations for £69.

Yesterday they said flight-only deals were available only temporarily and that demand for holidays this month was generally very strong.

However, the move surprised the travel trade because this month is traditionally a good one for package tours, with many families vacationing in school or work holidays.

The move revived fears that some tour operators may go out of business this year because demand for holidays has not matched the number marketed. Several small operators have ceased trading. Others are believed to be in difficulty.

British Airways Holidays, the package-tour subsidiary of British Airways which trades as Enterprise, Sovereign, Flair and Martin Rooks, sustained a loss of £4.8m on holiday operations last year.

Mr Jim Harris, BA marketing director, recently said price competition between package-tour operators was leading to a lowering of standards. However, he said the holiday operation was expected to be back in profit this year.

The Thomas Cook travel-agency chain also warned holidaymakers to ensure they booked with reputable operators. It said: "It is very important that anyone booking a package holiday does so with a company which is bonded by the Association of British Travel Agents. We always provide this advice but especially so at the present time in view of the recent publicity surrounding tour-operator failures."

Holidaymakers on flight-only deals excluding accommodation were also given a warning yesterday.

Mr Chris Watson, managing director of Pickfords Travel, said: "There is a real danger that people will arrive at their destination expecting to locate accommodation and find themselves sleeping on the beach." Pickfords is offering to arrange accommodation for holidaymakers booked on flight-only deals.

Demand for package holidays has risen substantially since mid-June, when about 3m unsold holidays were on offer, but there is still excess capacity.

Travel agents said yesterday that Spanish package holidays were still available to late bookers this month at 25 per cent or more below brochure prices. However, few discounts were available for Greece, Yugoslavia or Turkey.

Big improvement in employment on Humberside

By Ian Hamilton Fazey, Northern Correspondent

A STRIKING improvement in employment, with jobless numbers falling at twice the normal rate and faster than in the rest of Britain, was reported yesterday by Humberside County Council.

Unemployment in the county fell from 59,481 to 51,473 in the first six months of the year. This drop was twice as large as the usual winter to summer fall of previous years.

More important, the "employment gap" — the difference between the available workforce and the number of jobs—closed significantly, reversing previous trends when the workforce had grown faster than the number of vacancies.

In this case, jobless figures fell even though Humberside has to create 1,500 jobs each year just to stand still. The total workforce is about 370,000.

However, unemployment on Humberside still stands at 14.3 per cent, compared with an overall rate of 11.5 per cent in Britain.

Humberside was hit hard by steel and fishing industry closures during the recession, but since then there has been a substantial effort to exploit the region's strength in the food and food processing industries.

One result is that although jobs are still being lost in food processing because of new technology, other businesses have been attracted by the pool of experienced labour.

Scunthorpe has an extra atraction because steel closures have led to maximum grant aid. Unigate's new chicken business—announced earlier this year—will create about 1,200 jobs in the Scunthorpe area, and grants have also attracted Spring Ram, a home improvement products maker, and Citizen Watch, which will make computer printers.

Queen opens Clyde North Sea oilfield

THE CLYDE oilfield in the North Sea was yesterday officially opened by the Queen. It cost £550m to develop and started production in June, six months ahead of schedule.

The Clyde field lies 180 miles from Aberdeen and contains 154m barrels of recoverable oil.

Dockyard deal may pave way for work changes

BY JIMMY BURNS, LABOUR STAFF

INDUSTRIAL workers at the Royal Naval Dockyard at Rosyth, near Edinburgh, have agreed a 5 per cent pay deal which is expected to pave the way for radical changes in working practices under its new commercial management.

The agreement is the first covering wages since the yard came under the control of Babcock Thorn in April.

It includes an unusual provision under which any disciplinary offences committed within the 4,000 manual employees while the dockyard was under the management of the Ministry of Defence, will be excluded from company records.

Babcock Thorn, a joint venture between Babcock Power and Thorn EMI, has also agreed to the reinstatement of seven employees suspended by the ministry last year after being charged with a "breach of the peace."

Mr Sandy Soutar, Babcock Thorn's personnel director, said yesterday: "We want to adopt a more positive management style and we want to show this by wiping the slate clean. You could call it a 'fresh start' and we are getting a good response."

The response from the unions includes a tacit understanding that by next year both sides will have begun to negotiate a more wide-ranging package of proposals believed to be similar to those at an advanced stage of discusison within the engineering industry.

These proposals include a breaking of traditional demarcation lines and the possible acceptance of fluctuations in the yard's basic 39-hour working week.

Mr Jack Dromey, secretary of the union negotiators, said that talks leading to the pay deal had been characterised by a professional approach by both sides.

He said progress at Rosyth, which refits Royal Navy nuclear submarines and conventional vessels, contrasted with the position at the dockyard in Devonport, Plymouth, where employees "have had to fight very hard to match the 4.6 per cent paid to civil servants."

The Devon yard is being run by Devonport Management, a subsidiary of the US consortium Brown and Root.

Under the pay deal reached at Rosyth, basic rates for a craftsman will rise in two stages from £159.27 a week now to £167.18 by the end of September. In addition, all industrial employees are expected to get a £100 profit-related bonus, which the company said would be paid at the end of next March.

In a ballot, employees accepted the settlement by a majority of nearly 4-1.

Yorkshire Bank tops up rise

BY JOHN GAPPER, LABOUR STAFF

YORKSHIRE BANK has awarded 4,800 staff a 2 per cent pay rise, effective from August 1, on top of an already agreed 5 per cent settlement, despite being free of the industrial action taken in three major clearing banks.

The settlement matches that agreed at Lloyds last week, following a ban on overtime, and may increase pressure on Barclays and National Westminster, where action is still taking place, to follow suit.

Yorkshire, which is owned jointly by Lloyds, Barclays, NatWest and Royal Bank of Scotland, agreed with the Banking, Insurance and Finance Union in May a 5 per cent pay deal plus some flat rate increases for clerical grades.

The bank said then that higher pay settlements in other banks might lead to fresh negotiations, and the increased offer was made on Thursday.

Mr James Fox, personnel controller, said that staff recruitment and retention problems within banks extended to towns outside London and the south-east and the bank had to take steps to remain competitive.

He said: "We are facing a new situation within the banking arena now. There is quite keen competition for staff in many areas, and by coincidence we have found ourselves in the forefront of pay developments."

Mr Eric Hutchinson, Bifu assistant secretary, said the Yorkshire settlement showed that the Lloyds pay offer was being used as a benchmark following the break-up of the Federation of London Clearing Bank Employers in July.

Yorkshire has also matched the offer on increases to London allowances made by Barclays, Lloyds and National Westminster, which means that staff at its sole London branch, at Cheapside, will receive an allowance of £3,000.

The results of a ballot of Bifu members on whether they want to step up industrial action at Barclays and National Westminster are due to be given to the union's executive today.

The two banks have so far stuck with the settlement, imposed from April 1 by the banks' federation, of a 5 per cent rise and some flat rate increases for clerical staff. Barclays has said that it does not intend to make any improvement.

London bus protest action escalates

BY JOHN GAPPER, LABOUR STAFF

PROTEST action over the privatisation of London bus routes escalated yesterday when an estimated 6,000 conductors and drivers failed to return to work after a series of mass meetings at garages.

A 24-hour strike of all 14,500 bus workers in the capital has been called for Monday, although normal working is expected today at all but two of the 50 garages run by London Buses, a subsidiary of London Regional Transport.

Workers at Norbiton garage in south-west London yesterday received letters from company chairman, Mr John Telford Beasley, saying that further strike action could lead to the five tendered routes operated at the garage being handed back to London Regional Transport.

He added that re-tendering of the routes to another company would lead to added wage cuts, without compensation payments which London Buses has offered for changes to working conditions.

The company said yesterday it doubted that a solution to the dispute could be found before Monday. It would press for further negotiations next week at the conciliation service Acas.

Leaders of the Transport and General Workers' Union argue that tendering bus routes is damaging services.

The dispute, which started at Norbiton, centres on changes to pay and working conditions introduced by London Buses in order to tender successfully for routes offered by London Regional Transport under the 1984 Transport Act.

Workers at Sutton garage, also in south London, may join Norbiton staff in refusing to return to work until Tuesday. A ballot of all London bus workers last week produced a majority of about 3—1 in favour of industrial action.

Labour relations chief quits TV company

By Charles Leadbeater, Labour Staff

THE INDUSTRIAL relations manager at Brookside Productions, which makes the Channel 4 soap opera Brookside, is leaving at the end of the month after a series of disputes with television unions.

The company is advertising for a replacement for Mr Martin Tempier, the departing manager.

The tensions at Brookside reflect wider changes in the television industry, linked to the growth of independent production companies, and the introduciton of new technology, which have led to growing pressure for changes to the national agreements which govern industrial relations.

Mr Roy Lockett, national officer of the Association of Cinematograph, Television and Allied Technicians, said: "A significant number of industrial disputes have emerged from what we regard as less than adequate interpretations of national agreements."

Brookside Productions, a subsidiary of Mersey Television, said it had never flouted national agreements. These agreements were designed for the main ITV broadcasting companies rather than the smaller programme production sector.

"We are not signatories to these agreements and we do not participate in negotiations over them," the company said.

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A necessary correction

AN UNEXPECTED one point rise in UK interest rates has been the trigger for one of the sharpest two day falls in London bond and equity markets in recent years. In the next few days much will depend on the trade and inflation statistics which are due for publication shortly. The markets are understandably discounting some quite unpleasant news and so if the figures prove to be even slightly better than expected, this week's setback could be partially reversed quite quickly. If this does indeed occur, the Government's recently acquired reputation for skilful market tactics will be further reinforced.

Although the timing of the interest rate rise caught almost everybody by surprise, it hardly came as a bolt from the blue. If City analysts had been asked on Wednesday night whether they expected the next move in rates to be up or down, a majority would almost certainly have said up. The arguments about "overheating" are not exactly new and there has been plenty of speculation about the appropriate policy response to excessive credit growth, house price inflation and skill shortages. The Chancellor's modest tightening in the light of still quite modest inflationary pressures is precisely the move advocated by several securities houses.

Why then was the City reaction quite so adverse — especially at the long-end of the gilts market, which could expect to benefit in the longer-term from a tightening of monetary policy? A steadying hand on the tiller at this juncture might have been expected to reassure financial markets. The only credible explanation is that the markets were already frothy and ripe for a fall. The interest rate move was no more than an excuse for a price adjustment that many had argued was overdue.

Less apprehension

Certainly, the equity market has been looking vulnerable for some time. It was already 5 per cent or so off its peak before Thursday's announcement. And it can hardly be regarded as entirely coincidental that a sharp correction should occur in a week that has seen a wave of UK bids for US companies; bids that in some instances appeared to rely on unrealistically generous market valuations of the predators. The sight of minnows trying to swallow whales is one of the classic signs of a bull market maturity.

Technical factors also played a part. The interest rate rise was well timed from the point of view of the foreign exchange markets, in that it was achieved without causing an unwelcome strengthening of the pound. But its timing could hardly have been worse for equities given that the market was already flooded with paper and apprehensive about privatisation calls due next month. The scale of the correction may also have been affected by the changed structure of the market following Big Bang. In the old days, jobbers used to reflect genuine buying and selling pressure fairly faithfully. But we are now in the age of the market-maker and price-setting behaviour is more tactical and more aggressive.

Provided the markets stabilise next week, institutional investors will not be too concerned by these events. They will be able to resume their buying programmes with slightly less apprehension and they may also take some comfort from the fact that both the Japanese and West German stockmarkets have partially recovered from some quite nasty corrections. Beyond a certain point, an unbroken rise in share prices must be regarded as more alarming than a more normal saw-tooth pattern.

Worrying feature

Investors should also take heart from the good underlying performance of Britain Plc. The Chancellor is having to apply the brakes—a common procedure in the wake of election victories—only because the vehicle is travelling so fast. Real GNP in the first quarter grew at an annual rate of 5 per cent and was 18 per cent above the cyclical trough reached in 1981. The OECD, which has often been critical of the UK, concedes in its latest report, out today, that the British economy is performing well both by its past historical standards and by contrast with other industrial countries. The economy that should have been bit worse than most by last year's large oil price fall has actually grown faster than its rivals.

Like the British Treasury, the OECD is well aware that the economic recovery has its strains. A possibly worrying feature, it suggests, is the corporate sector's propensity to invest in financial assets rather than physical capital. This tendency is not altogether surprising in an economy with an extremely large and dynamic financial sector.

The OECD's other worries echo those of the markets: it warns that the trade account is set to deteriorate gently and that inflation is gathering momentum. But it is not impressed by the more extreme versions of the overheating argument, pointing out that skill shortages are far less pronounced than in earlier upswings. In other words, the UK economic outlook may justify a touch on the monetary brakes, but it certainly does not warrant panic in bond and stock markets.

After a week of feverish British takeover activity in the US, **Terry Dodsworth** looks at factors behind the boom

The bulldogs in Uncle Sam's garden

Publicly recorded takeovers in the US*

Purchasers	1980	81	82	83	84	85	86
United Kingdom	50	80	54	41	48	78	89
Canada	57	62	36	28	36	25	64
W. Germany	14	14	6	2	4	12	19
Japan	9	9	4	6	6	9	16
Sweden	8	7	4	3	8	7	11
Netherlands	6	8	5	7	5	17	9
France	20	14	12	7	7	4	6

*Number of deals

Source: W.T.Grimm

A FEW MONTHS ago, when the Boesky and Guinness affairs were spreading clouds of suspicion over the world financial markets, few would have forecast the continuation of the takeover boom of the last four years. Yet for a supposedly threatened species, the UK acquisitions business has looked mightily vigorous this week, delivering a total of transatlantic bids worth $3.7bn.

It would be hard to think of a more dramatic five days of British takeover activity. It produced the largest rights issue proposal ever in the London market, when Blue Arrow, a small UK employment agency, unveiled plans to fund a $1.2bn (£761m) offer for Manpower of the US; it saw Hanson Trust return to the fray with its biggest bid so far in America, a $1.7bn agreed deal with the Kidde industrial group; and it included an $820m move by National Westminster Bank to build a banking group in the North Eastern states — a triumph, some would say, of hope over experience given the troubled history of foreign banking groups in the US.

This whirl of activity has left the City startled by the audacity of its dealmaking and more than a little jittery about the outcome of some of the transactions its merger specialists have created. The plunge in the London stock market following Thursday's one percentage point base rate increase knocked back the shares of several recent predators to levels close to the price of their rights issues. "The opportunism involved in some of these deals frightens the hell out of me," says one top broker.

The attack of nerves is closely related to the scale of what has been happening. The recent wave of bids has easily put UK companies on track to beat their one-year-old record of acquisitions in the US. According to brokers Hoare Govett, British groups have launched offers worth $16bn so far this year. This is a quantum leap on 1986, when the whole year produced bids worth only $13bn—although $7bn of this year's activity is admittedly tied up with BP's buy-out of its minority stake in the Sohio oil group.

The disproportionately strong UK appetite for US assets—according to W. T. Grimm, the US corporate research firm, UK companies acquired 89 American conerns last year, six times as many as West German groups —is not hard to explain in historic or cultural terms. British companies have had a long history of investment in the US, from the merchant venturers who helped found the first colonies to the backers of the great midwestern cattle ranches of the last century. "We liquidated many of these assets in the First and Second World Wars," says Sir Gordon White, head of Hanson Trusts' expanding operations in the US, and the unchallenged doyen of UK investors. "Now we are building them up again."

Sir Gordon also emphasises the seductive attractions of working in a common language. It is simply much easier for UK companies to work in the US than in Europe or the Far East, and conversely more difficult for some other Europeans. "James (Lord Hanson, chairman of the group) and I agreed when we started over here that we didn't want to be involved in any country where they didn't speak English," he says. "I sold off Ever Ready's European operations because we didn't want to be in Germany or Italy."

But these underlying stimulants to UK interest in America do not explain the strength of the current surge of activity. The reasons for this relate more to cyclical conditions in industry on both sides of the Atlantic, and, just as importantly, to the financial environment which has driven interest rates lower, forced down the dollar, and pushed up the London stock market to a level which encourages daring equity funding.

On the industrial front, the extraordinary amount of takeover and restructuring activity which has recently taken place in the US is probably as important as anything that has occurred on this side of the Atlantic.

This has thrown up acquisition opportunities on a scale which recalls the days when Western settlers annexed the prairies. Indeed, much of the recent takeover boom has been based more on breaking up companies through highly-geared buy-outs than on further consolidations. These transactions are often subsequently financed by selling off unwanted assets, or disposing of the company altogether, bit by bit.

The opening for GEC to buy the Gilbarco petrol pump manufacturer a couple of weeks ago, for example, arose because the American concern was looking to re-finance itself after a management buy-out from the Exxon oil group last year. Similarly, both GEC and Smiths Industries have pounced on different parts of the avionics activities of Lear Siegler, a rambling conglomerate which is now being systematically dismantled by Forstmann Little, one of the most forceful of the new wave of predatory Wall Street investment houses.

"This was clearly a unique opportunity for us to achieve a significant presence in the US aerospace industry at one hit," says Mr Roger Hurn, Smiths' managing director. "There are only three big companies in the field, and the chance to acquire one comes up only once in a generation." Mr Hurn, who concedes that Smiths may have paid what he calls an "opportunity premium" to capture the company it wanted, adds that the chance to make the right purchase outweighed either dollar or interest rate considerations.

THE TOP TEN 1985-87

UK BIDS/ACQUISITIONS IN THE US

Bidder	Target	Value ($m)	Date
British Petroleum	Standard Oil (45%)	7,680	June 1987
Unilever	Chesebrough-Ponds	3,100	Dec 1986
BPCC*	Harcourt Brace Jovanich	2,000	May 1987
Hanson Trust	Kidde	1,700	Aug 1987
ICI	Stauffer Chemicals	1,690	June 1987
Grand Metropolitan	Heublein	1,200	Jan 1987
Blue Arrow	Manpower	1,200	Aug 1987
Hanson Trust	SCM	926	Aug 1985
National Westminster Bank	First Jersey National	820	Aug 1987
Sedgwick Group	Fred S. James	640	April 1985

* Proposed bid abandoned in face of opposition

This has proved to be a common attitude among acquirers.

Both avionics purchases demonstrate another characteristic of several of the recent transactions—the ambition to consolidate on an international scale, trying to create cross-frontier companies that can channel technology in both directions.

The arguments for the avionic company takeovers are pretty clear-cut on this score: it is not easy to expand in the UK avionics market because of monopoly considerations; in continental Europe, opportunities are limited—Britain is by far the largest avionics manufacturing base in the region; and America has a market which is eight times as large as that of the UK.

UK companies are also in a better position to mount bids today, both structurally and financially, than for several years. Managers used to complain about spending 25 per cent of their time fire-fighting shop floor unrest; now they say orderly union relations allow them to devote time to longer term planning. And the shake-out in British industry that has helped cow the unions has generated hefty amounts of cash for potential expansion: Quoted UK, the Hoare Govett model for the UK corporate sector, suggests that debt will stand at less than 10 per cent of equity by the end of this year.

This turnaround from the overstretched balance sheets of a few years ago leaves industry with tricky questions to answer about where to put its money. Ought industrialists to be plunging into the US, where their post-war acquisitions record has been anything but glorious, when they could be investing in new plant in the UK? Are they being seduced by the blandishments of the new-style investment banking community, more skilful and aggressive in the wake of Big Bang and the influx of Wall Street securities houses? Is the transatlantic acquisition drive ruled by an opportunistic enthusiasm which has overcome common sense?

There is no doubt that many executives and industrial consultants feel considerable unease about the deterioration of the country's manufacturing base. For them, the reconstruction of companies like Thorn EMI — which has sold its white goods and television manufacturing divisions and last week sunk $594m into a 14-year-old US rental chain generating profits of about $14m — is nothing short of tragic. It is risky to boot: "We cannot exist on services alone," says one consultant, who deals mainly with medium-sized manufacturing companies.

There is little disagreement, either, that the new breed of investment bankers has had a telling impact. UK managers naturally insist that they are not bamboozled by these deal-makers and the financial packages they dangle before their clients. But the mere fact that they are there, peddling wares not available a few years ago, means that British companies are pulled into the orbit of US transactions much more than in the past; and there is no doubt that UK executives are impressed. "They have brought a much higher level of professionalism and preparedness to merchant banking," says one senior manager.

The issue that gives most immediate concern, however, is the charge of opportunism—the feeling that some deals are being done for financial reasons when there is little commercial or industrial logic to support them. How, the critics ask, can a company like Blue Arrow, only five years old in its present incarnation, put together a mammoth rights issue to buy a service company three time its size with highly intangible assets?

Mr Tony Berry, the fast-talking entrepreneur who has propelled Blue Arrow from a standing start into the stratosphere, concedes that there is one important financial element to the manpower deal — the accounting convention which allows British companies to write off goodwill deriving from acquisitions against the share premium account rather than profits, as US companies would be forced to do. But he argues that this has not led him to make an abnormally high offer. "Price earnings ratios in this kind of business are much the same on both sides of the Atlantic," he says.

Nevertheless, as Wall Street extends its longest post-war bull run, some investment bankers are beginning to question the financial engineering behind some of the bids. They are also worried about the impact a correction in share prices might have. Concern over the economy underpins these worries: so many deals are being done on the basis of earnings generated in the Reagan growth years that it is hard to believe that some would not be knocked away with the rest of the froth in a downturn.

Sir Gordon White — once regarded as a tearaway risk-taker, but now increasingly seen as the wise old sage who taught Britain how to take on Wall Street—says that there are still great opportunities in the US, although he stresses that market values at present are relatively high. "There is an enormous expansionary urge in Britain today," he says, "and it may be that we have created a new breed of entrepreneur."

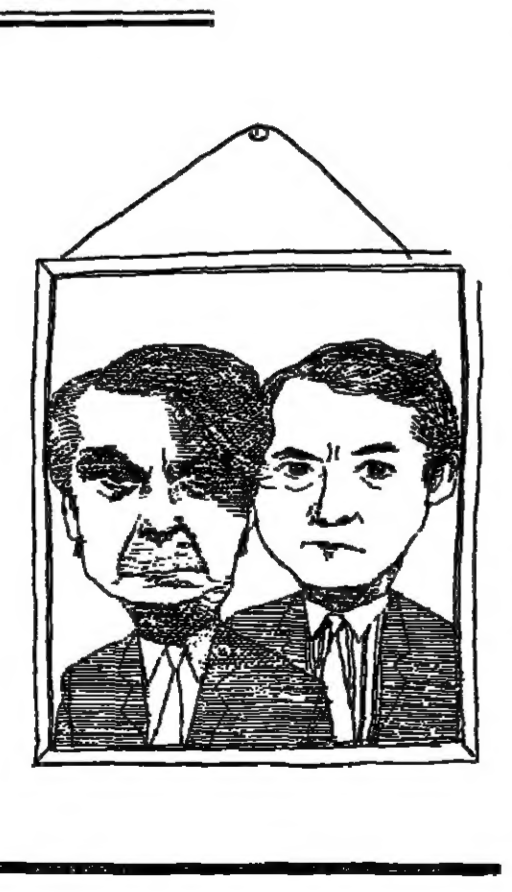
It is hard to say whether he means this as an endorsement, or as a warning that some individuals are overstepping the mark.

Men in the News

David Owen and David Steel

But the knot was loosely tied

By Peter Riddell, Political Editor



DAVID STEEL says wedding bells are overdue. Dr David Owen talks of an amicable divorce. Whether or not the Liberals and the bulk of the Social Democratic Party get together in a new party next year, as now looks likely, the most unusual double act in British politics is splitting up.

For four years the two Davids embodied the "partnership of principle" which the SDP/Liberal Alliance sought to present. They courted joint appearances and appeared to complement each other—the tough Dr Owen and the more tender Mr Steel.

The two leaders accepted their mutual dependence. Hence, while in Mr Steel's words they have never been "bosom friends," their personal relations have generally been better than the rivalries of their advisers and colleagues have sometimes suggested.

Yet beneath the surface there have been tensions. The television caricature of the Spitting Image puppets with a dominant Owen bullying a cowed Steel touched raw nerves. Neither their relationship nor their personalities have ever been like that—but in public they have appeared to be so.

The public faces have always been misleading. Dr Owen, while certainly determined and single-minded, is a more open politician than often supposed. Not a party man, he has always led from the front, making a virtue out of tough-mindedness and an anti-establishment approach—hence some of his affinity with Mrs Thatcher's radicalism.

By contrast, Mr Steel has always been more ruthless than his youthful "nice-guy" image. He gets irritated by commentators saying he is not as nice as he looks. Yet he had to be tough to survive the 1970s row over the Thorpe affair and to lead as varied a group as the Liberal Party for over 11 years.

He is also much more of a team player and a consensus politician. Unlike Dr Owen, he enjoys Westminster life and the company of fellow politicians of all parties in groups like The Other Club, founded by Winston Churchill and F. E. Smith nearly 80 years ago.

The two men have contrasting strengths and weaknesses. Dr Owen has a firmer grasp on detailed policy and an almost instinctive feel for the issues of the day. He is a brilliant tactician. Mr Steel is less convincing on policy questions —he shows less interest in many of them than Dr Owen. But Mr Steel has a clear strategic view, as he showed in the Lib-Lab pact of 1979-78 and as the main architect of the Alliance in 1981.

Yet the two leaders have different strategic visions—which is what the current argument is in large part about. Dr Owen sees the SDP as a radical party of the hard-centre, operating in a multi-party system in coalition with other groups.

To him the Alliance has been a partnership of two separate parties, not what Mr Steel has described as a courtship leading to inevitable union. Indeed, Dr Owen has been wary of many Liberal activists, and some in his own party, for being too soft, avoiding difficult decisions on defence, the economy and the like.

Mr Steel and the pro-merger group in the SDP, headed by the newly ennobled Roy Jenkins and Mrs Shirley Williams, reject this approach. They want a single party to champion realignment on the left in opposition to the Tories, possibly with some form of post-election deal with Labour.

These differences surfaced in the past 10 days of the election campaign with Dr Owen stressing his aim of holding a balance and being willing to talk to any party and Mr Steel emphasising his opposition to any deal with Mrs Thatcher.

So on the day after the election when Dr Owen, repeated his opposition to a merger with the Liberals, Mr Steel decided to act, showing more ruthlessness and vigour than during the election campaign itself.

He launched his merger initiative to prevent prevarication by Dr Owen, and knowing that he would have the support of a sizeable group of key Social Democrats. Mr Steel was also influenced by rumblings in his own party from Mr Paddy Ashdown, a possible successor.

So, as with most separations, the underlying causes have been there for some time, even if the timing was a surprise. Mr Steel has in one sense won. A new party will probably be formed next spring, incorporating most but not all the SDP, but only after considerable further argument.

Despite his current disclaimers Mr Steel is the obvious, and at present, the only plausible candidate as leader. He hopes the new party can quickly be presented as an alternative to the Tories when, and if, they become unpopular. But enormous political damage has been done.

Some of Dr Owen's allies believe that merger talks may become bogged down and fail to win the necessary two-thirds majority of the party's representative council next January. This would allow him to return as the vindicated leader of the SDP presumably minus the Jenkins/Williams group.

The more likely alternative is that Dr Owen will be leader of a rump social democrat party almost totally dependent for its survival on his voice. This is not necessarily the wilderness, and he could still affect public opinion.

However, breakaway groups tend to wither away unless they ally with a major party, and they then tend to be absorbed, generally by the Tories. This happened to the Liberal Unionists in the 1880s and the National Liberals in the 1930s.

Mr Roy Jenkins once compared Dr Owen to Joseph Chamberlain, whom, he noted, had divided not just one but two parties in his time. Like Chamberlain, Dr Owen may retain influence for some time, but without a broad party base he is unlikely to have power.

The price may yet be right

Rising capacity means pressure is on compact disc makers to compete. **David Thomas** reports

COMPACT DISCS, launched only four years ago, now occupy a whole floor of Virgin's megastore in Oxford Street, central London. The 7,000 square feet given over to them would have been equivalent to one of the largest music shops in the country a few years ago, according to Mr Johnny Fewings, head of Virgin's retail business.

The huge range of titles now available shows the speed with which the record companies have recorded material on compact disc in the past year. "The main reason people were holding back a year ago and not buying the player was the feeling they couldn't get the right music on compact disc. That was a bigger problem than the cost of the player or even of the disc," says Mr Fewings.

Yet most of the compact discs stuffing the racks of the megastore are priced between £11 and £12, little different from when the CD was launched. Meanwhile, the price of the players has fallen from around £500 to firmly under £200.

In Europe as a whole, according to BIS Mackintosh, the market research consultants, the average disc price is even higher at $20; the average US price is $15. CD owners have long been assured that they will not have to live with these prices forever — so when will prices begin to fall?

Conditions are now beginning to appear which could precipitate a decline. A big increase in production is under way creating pressure on manufacturing costs and fears of emerging overcapacity.

Yet the music industry is hesitant about disturbing a development which has underpinned its success in the past couple of years. Compact discs have revitalised their catalogues, prompted them to re-release old favourites like the Beatles and allowed them to push prices through the traditional $10 and £10 barrier.

In the US and the UK, compact disc revenues are approaching those from LPs, even though unit sales are lower and even though most households still do not have a disc player. The industry is rubbing its hands in expectation of the time — reached in Japan last year — when CDs overtake LPs in numbers sold.

Until recently, compact disc pressing companies have been struggling to keep up with demand. Nimbus, a South Wales-based music company, was on its own for almost two years after it built the first UK compact disc plant in 1984.

But the period of gross under-capacity is now over. Many large factories in the Far East, Europe and North America have come onstream in the past year or will do so soon. BIS Mackintosh is predicting worldwide output of 400m discs this year against demand of 300m.

Many people in the industry play down fears of excess capacity. Some plants may never meet ambitious capacity targets and rejection rates during the manufacturing process are still as high as 20 per cent.

Yet most accept there may be over-capacity during the summer season. They say it will disappear in the Christmas rush and probably reappear next spring or summer, in a round of even fiercer competition.

Mr Jack Schmuckli, Sony's European president, speaking at the opening of Sony's new compact disc factory in Austria last week, predicted a shake-out among European manufacturers next year.

Already, some pressing companies have cut prices by around 10-20 per cent. Ms Sarah Carroll, an analyst at BIS Mackintosh, says the typical pressing charge in Europe is in the £1.30-£1.50 range. She adds: "But some presses have been offering lower prices, making it very difficult for them to make money."

Although there will probably be more price differentiation, with increased production of old favourites at prices below £10, opinion within the industry is divided about a big drop in prices across the board.

Mr Richard Burkett, who head's EMI's European pressing and distribution, says the capacity increase should bring prices down quickly in the shops. But at EMI, Mr Tony Wadsworth, in charge of releasing old catalogues on compact disc, predicts new releases will stick in the £11-£12 range. "I wouldn't personally recommend price cuts on new releases," he says.

But others believe the build up of capacity will precipitate price cuts to fuel extra demand and BIS Mackintosh predicts average cuts of 15 per cent in Europe by next year.

Before that happens, however, other types of compact disc demand might have emerged. Some are outside the music business, as with CD-Rom computer storage systems, a field into which some pressing companies are diversifying. New ideas include:

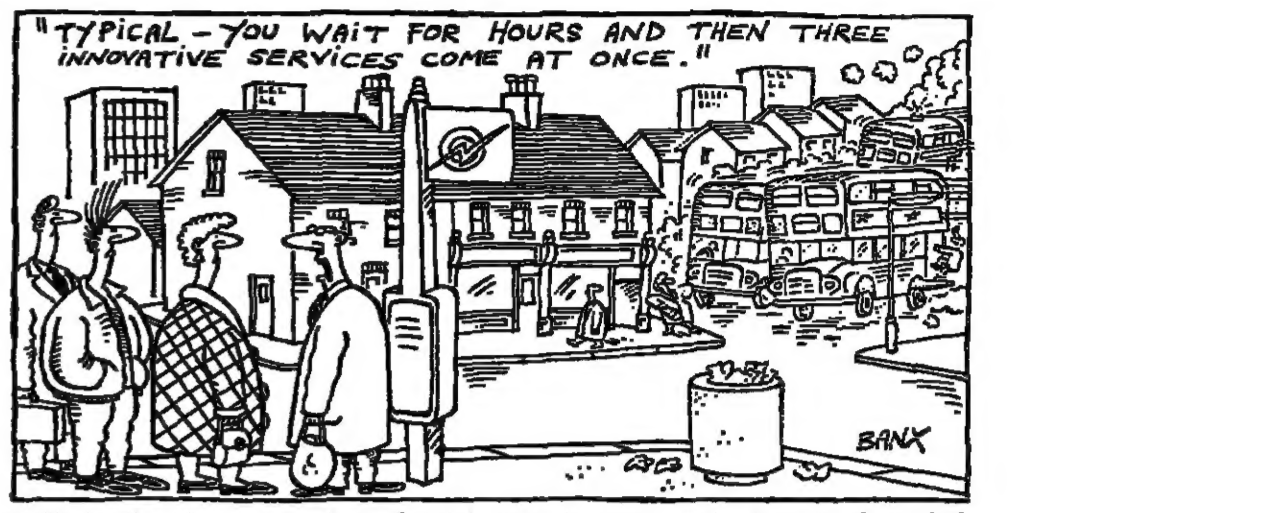
- CD-video. The combined CD-video players pioneered by Philips, is to be launched at the Berlin electronics fair later this month. Interest has centred on the 5 inch format, which will allow five minutes of video plus compact disc quality sound, followed by 20 minutes of sound on its own. But, says Mr Russell at CBS: "I have a great deal of trouble figuring out who would want that. You have five minutes of video and 20 minutes of blank screen. What do you do—watch the blank screen or wonder round the room?"
- CD singles. Sony, the main promoter of 3-in CD singles, describes them as the traditional single's "logical successor." So far, however, they have been greeted sceptically — partly for price reasons. Compact disc owners do not tend to be singles buyers.

The price levels at which the software and hardware are pitched will probably be the main factors shaping the take-off speed of these two new ideas. The same remains true of mainstream discs.

The music companies at present resist any sharp drop in prices. They would prefer a steady build up of demand to develop hand in hand with a slow decline in prices. By this time next year, it should be clear whether they have had their way.

There'll be one along in a minute

Bus deregulation has failed to fulfil expectations. **Kevin Brown** reports



"TYPICAL – YOU WAIT FOR HOURS AND THEN THREE INNOVATIVE SERVICES COME AT ONCE."

TRIED TO catch a bus lately? If you have, and you live outside London, chances are you have a catalogue of complaints about deregulation. (If you live in un-deregulated London, you probably still have a catalogue of complaints, but you will have to blame something else.)

Ten months after the biggest public transport shake-up since the nationalisation of the railways, it is hard to find anyone outside the Transport Department with a good word for the bus industry.

If it is not too few buses threatening the existence of rural England, it is too many buses causing chaos beneath the dreaming spires of Oxford. If it is not the way fares are shooting up, it is the way unbridled competition is bound to put everyone out of business.

Deregulation has been the best thing since British Rail for the saloon bar pundit, and the How-Much-Better-They-Do-These-Things-On-The-Continent school. But as bus deregulation approaches its first anniversary, it is worth asking why it was thought necessary, and what success it has had.

The truth is that by 1984, when the re-elected Conservative Government published its Buses White Paper, the industry seemed to be in terminal decline.

For more than 50 years, bus services had been subjected to a restrictive local authority licensing system which was seen in the 1930s as the best way of matching resources to demand. The idea was that existing operators had to be protected so that profits from their popular routes could cross-subsidise services for which there was less demand.

"The result of these worthy intentions has been to maintain a pattern of services developed for a different age, and to neglect the best parts of the market. There has been too little incentive to develop markets, to woo the customer," the White Paper concluded.

The charge sheet made depressing reading: share of total travel down from 42 per cent to 8 per cent in 30 years; total annual mileage halved; operating costs and fares up by 30 per cent more than the rate of inflation; subsidies up from £10m to £520m over 10 years.

The service was poor and getting worse. Something simply had to be done, and there were only two ways to go about it—massive public investment in equipment and subsidies to push down fares, or an end to planning and a tourniquet on taxpayers' funds.

Given a Tory Administration dedicated, at least in theory, to attacking bureaucracy and providing choice for consumers, there was never much doubt about which way ministers would jump.

Mr Nicholas Ridley, the then Transport Secretary, approached the task of deregulation with an almost Messianic fervour, and with at least one powerful shot in his locker.

In 1980, one of the earliest acts of Mrs Thatcher's first Administration had been to deregulate the long-distance coach industry, and to allow county councils to experiment locally with free-market bus services.

The results of the local experiments—in Hereford, Norfolk and Devon—were inconclusive; but there was no doubt about the deregulated coach market: fares fell by an average of 40 per cent, and 700 new services were introduced within three years.

So the Government acted. The 1985 Transport Act was pushed through a largely sceptical House of Commons — socialists outraged at the end of planning, shire Tories anxious about loss - making country routes—and took effect in October last year.

For the first time in decades, anyone who wanted to run a bus service had only to buy a vehicle, satisfy safety regulations—which remained unchanged—hire a qualified driver, and give six weeks' notice to the Traffic Commissioners. To ensure fair competition, the Act also provided for the break up and sale of the state-owned National Bus Company.

It recognised that subsidies would continue to be required for routes which would not be commercially viable but were regarded as socially necessary.

An element of competition was introduced into this process by requiring companies to bid against each other for subsidised routes, with the contract going to the company requiring the lowest subsidy.

London was excluded from the immediate provisions of the Act, obstensibly because it took effect too soon after the shake-up in the capital's transport services caused by the abolition of the Greater London Council.

Mr John Moore, who was Transport Secretary by the time the Act took effect, predicted an explosion of new operators and innovative services.

The Government's real aims were modest, however. They were: to cut subsidies; cut fares; increase competition; maintain essential services and encourage new ones; and stimulate innovation.

There are as yet few reliable figures by which to judge how far this crusading legislation has succeeded in reversing the decades of decline. But the indications are that nothing very dramatic has happened.

Subsidies have come down by about £40m countrywide. Initially trumpeted by the Government as a major achievement, Ministers have made less of it recently, as it has become clear that this level of saving is unlikely to be repeated.

The Association of Transport Co-ordinating Officers, which has members in all the local authorities charged with identifying routes for subsidies, says many of the savings reflected uneconomic bids by operators desperate to defend their existing share of local business.

Some operators are already attempting to withdraw from tendered services, which would then have to be relet at a higher subsidy.

Fares have remained largely static, although in some areas, apparent increases have been caused by changes to routes.

In one of the few large-scale surveys of the effects of deregulation, the Scottish Consumer Council reported this week that since October fares had increased by between 4 and 5 per cent — more or less in line with inflation.

Competition, which was supposed to lead to all the other benefits the Government promised, has been ministers' greatest disappointment.

Around 83 per cent of routes have been registered as commercial (non-subsidised), but there is head-to-head competition in only a handful of areas (Glasgow, Manchester, Oxford).

Even there, the benefits to consumers are doubtful. The Scottish survey found that bus mileage was up 25 per cent in Glasgow since deregulation, but there has been no reduction in fares.

National figures are not yet available, but there is no reason to suppose that there is competition on more than around 3 per cent of routes—roughly the level forecast by opponents of deregulation last October. The number of new operators is about 200, compared with about 1,500 before deregulation.

The Government has so far maintained that competition will emerge once deregulation settles down and operators begin to appreciate the scope for enterprise.

This is beginning to sound like a forlorn hope, however, and Mr David Mitchell, the Transport Minister, has threatened to use his powers under the Act to break up the commercially-operated big city bus companies on grounds that they inhibit competition.

Service levels are the most difficult to judge. The total number of bus miles this year is expected to be within 1 per cent of the pre-deregulation level, but this conceals some variations.

The all-party Commons Transport Committee concluded in a recent report that most authorities had been able to reward contracts for all the required subsidised services without losing even low priority routes.

The committee identified some changes on commercially operated routes, however — mainly reductions in the frequency of early morning, evening and Sunday services, and reduced coverage of rural and suburban areas.

Innovation has been largely restricted to the widespread introduction of "mini-buses" seating up to 30 people, mostly in urban areas. But this trend was identified well before deregulation and cannot be attributed to the Act.

The truth about the deregulation experiment is that for most people, in most places, it has made little difference. The buses continue to run at much the same times and on much the same routes at much the same fares.

For the Government, which made deregulation sound like the answer to the passenger's prayers, it has brought bad publicity and few benefits, apart from a marginal reduction in subsidies which seems likely to be short-lived. The best that can be said is that it has made things no worse.

So why all the complaints? The short answer is that it is not at all clear that ordinary bus users are complaining — the fuss is coming from lobbyists and the Government's political opponents.

In so far as the howls of anguish are genuine, they are probably associated more with the problems of switching from one system to another than with the effects of the policy itself.

Letters to the Editor

Allocation of aid

From Mr J. Dingle

Sir,—The debate about allocation of aid—to "development" or to export promotion—is in danger of being drowned by the noise of axes being ground by the protagonists of one or the other course.

There is an alternative. Training in Britain of developing-country managers — especially technical managers — creates spin-off beneficial to both the developing country and to British exports. And before some benighted bureaucrat tells me that the lead time is too long, let me say I am referring not to undergraduate or even post-graduate training, but to the post-experience management training provided by some British academic and professional institutions.

Aid in useful amounts has seldom been available for this kind of training. One wonders why. The sums involved are small: the pump priming effect dramatic enough to impress both development economists and exporters. Let us hope the notion will also impress those responsible for aid policy in the future.

John Dingle,
The Flat,
Orchard Lea,
Boar's Hill, Oxford.

On their bikes

From Margaret Hansen.

Sir,—I read (July 27) that the Tour de France is turning into an international event and that the next step is to create a world bike tour with events planned all over the globe.

Exciting though these prestigious events promise to be, I would like to draw attention to the fact that a Four Corners world bike ride by 16 young Britons has been in progress since last year and is drawing to its spectacular close on September 20. The four teams of riders on their various routes have braved the awesome Andes, gruelling Sinai, the humid jungles of Malaysia and the Lime Stone Peaks of China. They are still going strong despite a serious accident or two, the odd arrest, hairy encounters with wild buffalo and camels, malaria and sunburn. They have crossed four continents and have pedalled a combined distance of 30,000 miles so far, gaining a lot of publicity on the way and generating many local events around the globe. They are now on the edges of Europe, and on the final, triumphant leg of their journey from Amsterdam will be joined by thousands of cyclists from Great Britain, the Netherlands and other European countries.

Four Corners is not a "professional" event, it started as a dream of young people who, no longer content to be bystanders to world poverty, got on their bikes to raise funds for a charity which aims to help Third World countries to work themselves out of poverty rather than depending on handouts.

Thanks to their initiative and the support of Prince Charles, a number of celebrities and sponsorship by many national and international firms what seemed an impossible dream two years ago is now beyond reality.

Margaret Hansen,
(Press Officer, Four Corners World Bike Ride),
West India House,
Millwall Dock, E14.

Bullfighting in France

From Mr Anthony Montague Browne.

Sir, — In 1958 I was with Sir Winston Churchill on board the yacht "Christina" in Seville. Some local dignitaries called on him to say that they were preparing a bullfight in his honour and looked forward to his attendance. Churchill replied briefly: "I shall do no such thing. It is not a bullfight: it is a bull torture" and he turned his back on them.

Miss Mackenzie's article (August 1) does you no credit, least of all with its footnote indicating where one can buy tickets for bullfights in France, and with a coy little suggestion that one should read Ernest ("the cult of false hair on the chest") Hemingway in order to enjoy "an artistic spectacle."

It is difficult in a short letter to encompass all the objections to paying to see the tormenting to death of a grass-eating animal. Leave aside the bull: why does Miss Mackenzie suppose the horse is blindfolded? It is of course because it is terrified — and with good reason. These horses are usually old and sometimes infirm. Even with the padding the impact of the full weight of a charging bull causes disastrous internal injuries and broken bones. In the past, and, I understand in some areas of the world to this day, the horses' vocal chords are severed to stop them screaming and analgesic drugs are administered before the "fight."

The director of the arena at Nimes comments; "Let those who want to ban bullfighting do something about the wars, murders and cruelty among human beings. When we live in a perfect world, then we'll see about banning the corrida," is particularly crass. Because one cannot achieve all that is good does not mean that one should pursue a course of active cruelty for money.

May I suggest for future entertainment, Miss Mackenzie should regale us with the pleasures of a visit to a public execution in Saudi Arabia, or gain admission to the interrogation cells of a Latin American prison? On reflection I have a better idea for her, since she apparently enjoys thrills. Why does she not climb the North Wall of the Eiger? I understand that it is majestic, icy, perilous and terrifying. Miss Mackenzie would not be bored and if she should slip the bulls would probably not miss her. Nor would I.

I wonder how much pain and misery your article will cause, attracting further witless and vulgar people to pay for these disgusting scenes?

Anthony Montague Browne,
Hawkridge Cottages,
Bucklebury,
Nr Reading, Berks.

Losing out by penny pinching

From Mr R. Diment

Sir,—It is not just the environment that loses out from the penny-pinching approach to the design of new roads (July 27). The same approach results in the underprovision of capacity even though the gut reaction of everyone concerned is that a wider carriageway will be needed sooner rather than later.

Insensitively designed roads result in drawn-out, and unnecessarily acrimonious, preconstruction procedures. The cost of which to the Government and to the community can eat up much of the original "saving." The M25 is just the latest of our motorways that has to have an extra lane added, at a cost not far short of the original construction price and at considerable inconvenience to the road user.

Richard Diment,
British Road Federation,
8, Portugal Street, WC2.

Universities' earnings

From the Vice-Chancellor, City University

Sir,—Michael Dixon published a table on August 3 which gave an analysis of universities' earnings by using the data published by the University Grants Committee.

Unfortunately it is not possible to obtain anything like a complete picture from this data as several of the activities of universities are not included, or are brought into the UGC accounts only as profit (or loss) on a trading account. In order to perform the task properly the total turnover of the institutions should be used and this can only be achieved by recourse to the individual annual accounts.

When this is done the variation between institutions which was a particular feature of the article is very much reduced. What is revealed is that universities generally are less dependent on public funds (for their range of activities) than is commonly supposed. Less than 60 per cent of turnover by way of grants from public funds for both general and specific purposes is a common figure.

The data published by the UGC shows what is essentially the teaching and research account and therefore can be analysed to give the magnitude of the cross-subsidy from other activities being made to maintain teaching and research or, at least, offset the reduction in central government funding. The high cross-subsidy at Salford has already been remarked on by its vice-chancellor.

(Dr) B. N. Franklin,
Northampton Square, EC1.

Blood, sweat and tears

From Miss E. Mann.

Sir,—Teresa McLean (August 1) paints a rather misleading picture of women's cricket.

I have been scorer for the Cambridge University Women's Cricket Club for the past 12 seasons and I can assure Teresa McLean that the standard of university women's cricket has improved out of all recognition since her day. A decade ago, there was little competition for places in the Cambridge XI, but this season over 50 girls presented themselves at trials and, to be truthful, a rejuvenated Ms McLean would very probably not have been selected from the array of talent on display. Nowadays very few matches are played against male opposition and, on these rare occasions, the women's play attracts admiration rather than derision. Most fixtures are against other women's club sides or student teams. This season Cambridge has had the upper hand over all but one of its club opponents and it has been teams from other universities which have provided much stiffer opposition. The annual match against Oxford proved to be a superb game, Cambridge snatching victory with just two balls to spare.

As for blood, sweat and tears, cricket is obviously an unsuitable pastime for the faint hearted of either sex, since the occasional knock and bruise are inevitable. In all my time with Cambridge University, however, I have only once seen a girl so badly injured that she required hospital treatment. From my observations, women's hockey is more hazardous than women's cricket. Incidentally, since the girls play all their fixtures in the first half of the season, I suspect that goose pimples may be a more common affliction than sweat!

I have never met any of the loutish characters whom Teresa McLean describes. On the contrary, I have found most female cricketers to be very affable and, through the game, have made the acquaintance of a number of genial folk, both players and their families, whom I would not otherwise have had the pleasure of meeting.

Ms McLean states that the touring Australian team is only playing two Test matches against England. According to the tour brochure, three Tests are scheduled.

(Miss) E. H. F. Mann,
8, Alliance Court,
Hills Avenue,
Cambridge.

Bubbly in New Zealand

From Kirsteen Hay

Sir,—With reference to the article on wine "Winning ways attest to quality," July 23, I would like to draw attention to the misuse of the word champagne.

The article is illustrated by "Champagne being bottled at the Montana Wines at Glen Innes, Auckland." This is misleading in the extreme, suggesting that champagne is made in New Zealand. In the article, Dai Hayward refers to "New Zealand's only true 'champagne' cellars," as though inverted commas will alter the implication of these being real champagne cellars. He redeems himself a little, however, by describing Daniel le Brun, the French grower who produces this sparkling wine in New Zealand, as being "adamant that only the French region Champagne can produce champagne." Three cheers for Daniel le Brun.

As the UK representative for the CIVC, the semi-governing body for the champagne industry, I feel bound to further re-emphasise the real meaning of champagne in order to untangle the web of confusion created by Mr Hayward. Champagne is a wine from the Champagne region, a delimited area 90 miles north east of Paris. Any reference to champagne being produced outside this region, either in inverted commas or not, creates a misunderstanding of its true definition.

Kirsteen Hay,
Champagne Bureau,
14, Pall Mall, SW1.

UK COMPANY NEWS

Hugo Dixon considers Standard's South African disinvestment

The search for a total solution

"*UNLIKE our great rival* (Barclays Bank), it has not been driven primarily—even at all—by political decisions," Mr Michael McWilliam, group managing director of Standard Chartered Bank, said yesterday in explanation of his bank's decision to disinvest from South Africa.

The primary considerations, he said, had been financial. In common with other international banks, Standard is having to set aside large amounts of money to provide against its exposure to the Third World. Mr McWilliam admitted this would leave the bank with a "weak" capital position.

The sale of Standard's 39 per cent stake in Stanbic will release £155m in capital. This is a loss of £36m on the investment's book value as reported in the bank's last audited accounts and will be written off against reserves as an extraordinary item.

Nevertheless, the impact on Standard's risk-assets ratio—the key capital ratio monitored by the Bank of England for capital adequacy purposes—*would be beneficial, Mr McWilliam said.* This is because capital that was previously tied up in an associate company can be used to back the rest of the group's banking business.

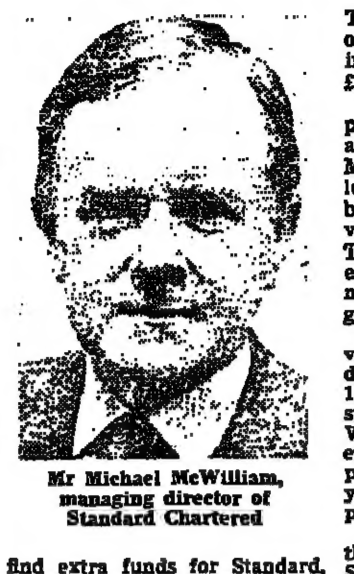
However, such is the depth of Standard's financial problems—its capital ratios are described by banking analysts as "awful" and "very uncomfortably low"—that the disposal of the South African stake is *only one part of the total solution.* Mr McWilliam admitted that it "would be quite misleading to say it was the whole solution. A number of other things have got to happen."

He listed three options, none of them particularly attractive: further disposals; raising money through a rights issue; and "throwing in the hat" by being taken over by another group. However, he said the final option was only a logical possibility. He had fought hard to maintain Standard's independence in the face of Lloyds Bank's bid last year and said the new problems over Third World debt had not changed his determination.

Making further disposals to raise capital would be the simplest, but also the most painful option. Standard owns attractive banks in California and Arizona, which it is generally thought could be sold for £1bn plus—restoring the bank's capital position at a stroke. It could also find suitors for its operations in Hong Kong, Singapore and Malaysia.

The snag is that, after selling off the best parts of the group, it would be left with a rump. As Mr McWilliam said: "We have to look at all our assets and decide what our core businesses are."

The alternative solution—a rights issue—might therefore seem the best course of action. One drawback with this, though, is that there is some doubt whether the British stock market would be able to



Mr Michael McWilliam, managing director of Standard Chartered

find extra funds for Standard, *when there are already a number of large financings in the* pipeline, including Midland's £700m rights issue and TSB's £750m second call for cash.

It is also unclear whether Standard's dominant shareholders—Mr Robert Holmes a Court and Sir Y. K. Pao, who are both deputy chairmen and have 30 per cent of the company between them—would want to put up their share of the extra funds.

Standard's problems—which in some ways are more acute even than those faced by Midland before its recent capital restructuring—stem from its large relative exposure to the Third World debt crisis. It is owed about £2.2bn by developing countries and a further £750m by South Africa.

Nobody knows exactly what provisions it has already made against these debts. However, Mr McWilliam says it will follow the other British clearing banks—who have increased provisions to 30 per cent of their Third World exposure—and extra provisions of £400m or more he described as "intelligent guesses."

Standard will charge the provisions against first half profits, due to be announced on August 18. This will result in a "substantial reported loss," Mr McWilliam said. Analysts had been expecting it to report a £300m pre-tax profit for the whole year if it had not made any provisions.

The overall effect of making the provisions and selling the Stanbic stake will leave Standard's ratio of equity to assets at something less than 3.5 per cent, according to Mr Terry Smith, a banking analyst at Barclay's de Zoete Wedd.

In the absence of figures for the bank's risk-assets ratio—*which the Bank of England* keeps confidential—this is the most important ratio.

By comparison, National Westminster Bank's equity to asset ratio is 5.6 per cent, Midland's is 4.9 per cent, Barclay's is 4.6 per cent and Lloyds' 4.4 per cent. When it is realised that even these ratios are generally thought to be on the low side, the extent of the gap Standard has to make up is clear.

Regalian clawback wins 47% response

BY NIKKI TAIT

Regalian Properties, the residential developer which last month announced a £22.2m share placing to fund the acquisition of land at 3A Kensington Palace Gardens, has become the latest victim of cash-raising attempts in the current bear market.

Yesterday, it announced that the clawback facility for existing shareholders had been taken up in respect of only 3.82m shares or 47 per cent of the issue. The entire issue had been conditionally placed, and so the remaining 4.25m shares will be taken up by institutional investors.

After the recent downturn in share prices, which has hit the property sector across the board, the reluctance to clawback was little surprise. The placing and clawback price was 275p; having started the week at 288p, Regalian shares had slumped to 252p by Thursday's close. Yesterday, they lost a further 9p to 243p.

At the outset Mr David Goldstone, Regalian's managing director, together with his family holdings, said that he would not be clawing back in respect of his 11.6 per cent stake. Yesterday, he said that he was unsurprised by the response. "In the light of what has been happening in the market, I don't think one was entitled to expect more."

Regalian paid the Crown Commissioners the equivalent of more than £30m an acre for a former barracks site, which faces the grounds of Kensington Palace, the London home of the Prince and Princess of Wales. It plans to build an ultra-exclusive apartment block — selling the residences to some 20 multi-millionaires for an average £2.5m.

Really Useful expands its publishing side

By Raymond Snoddy

Mr Andrew Lloyd Webber's **Really Useful Group** yesterday expanded its publishing interests with the acquisition of Aurum Press, a small independent publisher.

Aurum, founded in 1977, has specialised on books on entertainment and the arts, but has also published children's titles such as Angelina Ballerina.

The company has also published a volume of Mrs Thatcher's speeches, In Defence of Freedom.

Really Useful will pay cash for Aurum, but the amount will depend on performance and will be the aggregate of pre-tax profits for the three years ending June, 1990.

Mr Brian Brolly, managing director of Really Useful, said yesterday that "the acquisition of a highly regarded specialist publishing house such as Aurum has been one of our priorities for a number of *months.*"

The Lloyd Webber company, floated on the Stock Exchange last year has published The Phantom of the Opera and co-published Cats, The Book of the Musical.

Aurum lost £24,000 in the year to June 1985.

TR Pacific

A lengthy afternoon board meeting of **TR Pacific Basin Investment Trust**, the £230m *fund run by Touche Remnant* and currently subject to an unwanted bid from Thornton Pacific Investment Fund, broke up yesterday with directors saying that a wde range of alternative options were being considered.

Amongst them, TR confirmed, is a straight unitisation scheme, possibly offering shareholders a range of funds. TR has already said that it will put alternative proposals to shareholders but retain some sort of investment trust option. It expects to make its official response after the Thornton offer document is published.

New London Oil

New London Oil is expanding its involvement in the oil services sector with the $9.78m acquisition of a majority interest in KenCope Energy Companies, which is listed on *NASDAQ.*

KenCope engages in oil and gas exploration, production and development and in completion and workover well services and oil field tool rentals, principally in Texas and Louisiana.

The deal, for which a letter of intent has been signed, involves a $2.8m cash injection into KenCope by way of 10-year debentures at 5 per cent, convertible to 862,000 shares of KenCope at $3.25 per share. Mr Kenneth Ford, chairman of KenCope, will resign and sell his 1.7m shares in the company to New London at $3.25.

Mr Paul Kesterton, New London chief executive, said financing for the deal was still being arranged, but would likely involve a share placing.

Second half disappoints but Sumrie cuts losses

BY PHILIP COGGAN

Despite stating at the interim stage that it expected "the long-awaited recovery" to appear in the second half, **Sumrie Clothes**, the Leeds-based clothing manufacturer, recorded a further pre-tax loss of £130,000 (£212,000) in the year to March 28, 1987.

The accounts are likely to be qualified by the auditors, subject to continuing borrowing facilities being available.

Last month, it was announced *that City and Westminster* Financial and an associate company, Master Financial, would be buying a 28.6 per cent stake in Sumrie from Le Chevalerique, an Isle of Man nominee-owned company. Following the *sale,* which will be completed on August 17, Mr Michael Hepker and his associate Mr Meir Spungin will be resigning from the board.

CWF, which recently sold its stake in Bremner and which *also has a substantial interest* in Lanca, a handbag manufacturer, plans to develop Sumrie and hopes to announce *an acquisition in the near* future.

During the year Sumrie closed the Goldthorpe factory and transferred its production to Leeds. However, orders at Leeds did not build up as quickly as expected and the trading performance in the second half was not as good as in the first.

An extraordinary item relating to the costs associated with the closure of the Goldthorpe factory was offset by a refund of contributions to pension funds, leaving a net extraordinary debit of £49,000. Since the balance sheet date, the board has resolved to sell the trouser factory at Ryhill.

Group turnover for the year was down from £3.11m to £2.64m, but the directors said the fall in turnover was more apparent than real because of the company's policy of asking customers to pay for the cloth used to fulfil their orders, *rather than bearing the cost* themselves.

The stated loss per 20p share was down from 8.5p to 5.2p.

Seacon gains nearly 59% of ailing Milford Docks

BY STEVEN BUTLER

Seacon Holdings' rescue takeover bid for the ailing **Milford Docks Company** had won acceptances amounting to 58.96 per cent of outstanding shares by yesterday afternoon, adding to the 18 per cent stake held by Seacon Ltd.

The success of the offer appears to bring to an end, at least for the time being, one of the longest-running boardroom battle-cum-takeover and shell opportunities in what is Wales' oldest public company. Seacon, a private cargo handler and shipping company, said it was extending the offer until August 21 so that other shareholders would have time to accept.

The offer was 18 shares of Seacon for every 100 Milord Dock shares, valuing Milford shares at 18p against a suspension price in February of 71p.

Milford Docks was in default on loans of more than £2.3m to *Mr Roger Shashoua, a former* director who took the debt over from Standard Chartered Bank and the company's directors said it could not continue trading in the absence of a rescue.

The bid went through despite *rumblings of discontent* by a consortium of shareholders controlling 27 per cent of the company.

Profits back at Davies & Metcalfe

Davies & Metcalfe, mechanical and electrical engineer, moved back into the black in the six months to June 30 with pre-tax profits of £412,789 compared with losses of £232,998 last time. External sales and other *income almost doubled* from £3.12m to £6.03m.

The directors said that the profits included six months' trading of overseas subsidiaries. The damage caused by flooding of the Sydney, Australia factory *has now been largely overcome.* They said that there had been a satisfactory intake of new orders for the group as a whole, with encouraging prospects.

After tax charges of £144,476 (nil) earnings worked through at 4.003p (4.314p loss). The interim dividend is held at 0.63p.

Ealing Optics

The board of **Ealing Electro-Optics**, the USM-quoted optical equipment manufacturer, yesterday made a statement about the offer for the company by Sagemill, a private company based in Guernsey.

The board says the 154p per share offer, which is well below the market price, fairly reflects the value of the existing business but it is unable to advise shareholders on the prospects of the company following the involvement of Sagemill. Sagemill is assured of control of the company and the offer is being made to satisfy the provisions of the Takeover Code.

KIO Unitycorp slice

THE Kuwait Investment Office *yesterday announced* a 1 per cent stake in Unitycorp Trust. Unitycorp is the former Wemyss Investment Trust, subject to a takeover by ATS Resources last year. Shares in Unitycorp Trust shaded 2p to 131p yesterday.

SUTER has increased its stake in Amari to 5.4m ordinary shares (17.05 per cent).

Panel warns potential Storehouse bidders

By Christopher Parkes, Consumer Industries Editor

The Takeover Panel has warned leading retail groups and their merchant bank advisers that if they have any interest in bidding for Sir Terence Conran's Storehouse Group, they should have declared it by now.

It has reminded them of takeover code rules, which say when a potential bidder must make an announcement to the Stock Exchange.

The Panel cited rule 2.2(d), which demands a declaration: "when, before an approach has been made, the offeree company is the subject of rumour and speculation or an untoward price movement and there are reasonable grounds for concluding that it is the *potential offeror's actions* . . . which have led to the situation."

The rules define an "untoward" movement as one of around 10 per cent which cannot be explained by general *market movements or* publicly known facts.

Storehouse has been the subject of Press and market speculation for more than two weeks, during which the share price has risen sharply.

"*We have spoken to all the* leading players, banks and the people who we think might be involved," the Panel said yesterday.

Although the warning was issued early this week, there was still no word late yesterday of bid or other announcements from any of the names mentioned in recent speculation.

Sears, Woolworth Holding, Next and Burton Group, have been among those mentioned most frequently.

First Spanish shares

The basis for allocation for shares in First Spanish Investment Trust was announced *yesterday. Firm* applications for 26.15m shares out of the 34.9m being offered were already arranged and the remaining shares were 2.2 times oversubscribed.

Applicants for between 300 and 400 shares will *get* 200; those who applied for between 500 and 800 will get 400; for between 900 and 2,500 shares will receive 500; and those who asked for more than 2,500 shares will get 25 *per cent of those applied for,* to a maximum of 450,000 shares.

RATNERS: Shareholders at an extraordinary general meeting yesterday approved the proposed acquisition of sterling and the three-for-ten rights issue of up to 40.9m new ordinary shares.

Harvard talks with Wickins break down

BY JANICE WARMAN

TALKS for closer collaboration between **Harvard Securities**, the UK's largest over-the-counter securities market-maker, and a consortium headed by Mr David Wickins, former chairman of British Car Auctions, have collapsed.

Mr Wickins was understood to have made one of two offers for Harvard chairman Mr Tom Wilmot's 37 per cent stake in Harvard. A change of control is expected to increase the group's chances of membership of the Stock Exchange.

Mr Wilmot said from New York yesterday that he was excited by new developments, and the company had decided to request the suspension of the shares for a further two weeks.

Mr Wickins, who sold BCA earlier this year for nearly £200m, bought a 6 per cent stake in Harvard from the company's founder, Mr Morton Glickman, in April.

Mr Wilmot *said* then that he hoped Mr Wickins would become co-chairman to boost the firm's credibility.

But Harvard's applications for membership of the Stock Exchange and of Fimbra, the Financial Intermediaries, Managers and Brokers Regulatory Association, were unsuccessful.

Mr Wilmot said that although he was disappointed there would be no association with Mr Wickins, he was confident that if current negotiations were successfully concluded, shareholders and staff would be well rewarded for their patience.

TCI advances by 88% and makes acquisition

BY STEVEN BUTLER

Technical Component Industries, fast-expanding specialist fastener and component manufacturer for the aerospace industry, yesterday announced a 51 per cent boost to its share capital, a £4.35m acquisition, and a near doubling in interim pre-tax profits.

TCI, chaired by Mr Hugh Sykes, plans to use the £8.74m capital issue in part to acquire Kent Aerospace Castings, manufacturer of magnesium and aluminium castings for the aerospace and racing car industries. The acquisition comes less than a year after TCI's first move into aerospace with the purchase of the TKR group.

TCI's pre-tax profits in the first half of 1987 rose 88 per cent to £325,000, while turnover jumped from £807,000 to £3.99m boosted by its ambitious acquisition programme. Earnings per share rose 12 per cent to 5.6p and an interim dividend was declared at 1.75p (1.5p).

The initial consideration of £4m for Kent will involve the issue of 892,856 new ordinary shares at 448p, of which 837,053 have been placed at 448p, with the balance to be retained by Kent.

An aditdional £4.74m is being raished by a placing to provide for £350,000 profits-related payment to the vendors of Kent, to finance the £1.7m purchase of a long lease at a TCI subsidiary, and to provide some £600,000 additional working capital.

There will be a clawback provision on all the placed shares on a one-fon-two basis. Directors holding 49 per cent of the shares will not exercise this *option, reducing their holdings* to about 32 per cent.

In the year to the end of September 1986, Kent had sales of £4.2m, with adjusted pre-tax profits of £485,000. TCI has calculated an exit *p/e of* 11 based *on an adjusted profits forecast* of £600,000 for the present year.

The TKR subsidiary, which produces aerospace components, had orders of £2.5m on the books at the end of the period, amounting to three quarters of the 1986 turnover, and the order book at present stands at £2.75m.

The production capacity of TKR is to be increased substantially, with a strengthening of the management team.

Mr Dennis Robson, group deputy chairman, said that the group hoped to make another large acquisition by the year end.

Lorlin Electronics

Lorlin Electronics, USM-listed electronic switch designer and manufacturer, has received an approach that could result in an offer for the company. A further announcement will follow.

Gordon Russell profit jumps 74% halftime

EXPANSION HAS continued apace at **Gordon Russell**, maker and supplier of office and contract furniture. *In the first half* of 1987 turnover rose 61 per cent, from £7.22m to £11.63m, and pre-tax profit advanced 74 per cent, from £694,000 to £1.21m.

The company was brought to *the market via a placing* towards the end of 1986. In that year it lifted turnover from £11.42m to £16.6m and profit from £1m to £1.8m with the help of its first major acquisition, Gordon Russell Furniture.

Mr Jeremy Simpson, chairman, said yesterday that first half turnover included some £3.1m from the acquisition. The repositioning of its operations since acquisition should ensure a more consistent contribution throughout the year.

The group was well placed to take advantage of its markets and was committed to *expanding the scale of operations.*

He said investment was still being made in production facilities and a new flow line factory unit at Swindon should be fully operational in the last quarter *of the year.* The unit will be dedicated to manufacturing the systems furniture ranges.

Mr Simpson looked forward to further progress in the second half of the year.

Earnings per share for the half year came to 8.6p (5.7p) and an interim dividend of 2p net is declared.

Mr Christopher Coomb, who has been with the group for seven years, will join the board as an executive director with effect from September 1.

Olives weighs its options

BY MIKE SMITH

Olives Paper Mill was last night weighing its options after receiving an approach from Melton Medes, its largest and most critical shareholder.

In a brief statement Olives said the approach may lead to Melton making proposals similar to those put forward by Mr Michael Kent, founder of M. P. Kent, the property company which was bought by Beazer for £34m in 1984, and others earlier this week.

Under these Mr Kent would become *chairman and he and* associates would raise £2.32m by *subscribing for new shares* representing just under half of the company's enlarged equity.

Melton would not comment yesterday but last week Mr Nathu Puri, chairman, said he would be unhappy with proposals for Olives which did not include a rights issue or the appointment of three new board members. Neither were included in the Kent plan.

Olives said it would make a further announcement in due *course.*

Senior in £7m purchase

BY STEVEN BUTLER

Senior Engineering Group continued its ambitious acquisition programme yesterday with the £7m purchase of Davis Derby, mining equipment manufacturer specialising in electrical equipment for hazardous atmospheres, from Fairey Group.

The acquisition adds to Senior's range of mining equipment already, while opening a new market in South Africa, where Davis has a subsidiary. Davis produces a range of signalling, control, communications and monitoring equipment, while Senior sells pipes, fittings, control valves, flow meters and guages, along with conveyor belt and strata control equipment and dust suppression and fire fighting apparatus.

Davis had 1986 sales of £13.7m and pre-tax profits of £1.1m, before management charges and interest on intra-group indebtedness, which is being repaid.

The acquisition is to be financed by a placing of 10.8m new ordinary shares at 65p each, amounting to a capital increase of 8.1 per cent. Senior's share price yesterday dropped 3p to close at 65p.

Fairey said the sale would allow it to concentrate resources on its four major divisions of aerospace and special technologies, electronics, filtration and industrial ceramics.

Fairey was split off from the Pearson group at the new year in a £51m management buyout.

Borthwicks warns of slump in profits

By Philip Coggan

Borthwicks, food manufacturer, last night announced that adverse developments would mean that the company would make little or no pre-tax profit this year, against analysts' forecasts of about £3.5m. Its chairman had said at the interim stage that it was no *longer a recovery case.*

"We've come out of the hospital but stumbled on a step by the gate," said Mr Dennis Carey, chief executive, yesterday as he described the effects of the intensely competitive UK *meat industry,* which has put pressure on volumes and margins.

As Thomas Borthwick, the group was caught out by the collapse of the US imported beef market in 1980. Since *then* the group has battled to reduce the heavy gearing caused by the slump into losses.

Last year, the company seemed to be achieving success when borrowings fell by 70 per cent after a number of subsidiaries were sold. The group talked positively of acquisitions and a new product.

But although at the interim stage, pre-tax profits were £462,000, the company announced that the new product's launch was being postponed and that UK meat processing was still incurring losses.

Since the half year, the company said that UK meat processing had shown a steepening downward trend.

See Lex

Corton Beach buy

Corton Beach has racked up yet another acquisition—£2.5m for a frozen foods retailer—to add to its stable of companies *in automotive, foods,* and leisure businesses.

Corton Beach has brought on board Freezrite Frozen Food Centres, which operates 20 retail freezer centres in Wales and the north of England.

Some 2.09m new Corton Beach ordinary shares will be issued to the vendors at 120p each, with 1.78m to be placed and the balance retained.

COMPANY NEWS IN BRIEF

COOKSON GROUP has acquired 49 per cent of Affinity Metals of Melbourne, which makes aluminium and copper alloys, ingots and castings principally from secondary aluminium. This business is similar to that carried on by Trent Alloys and Landseer Bailey in the UK and Weiner Metals on the west coast of the US.

GEI International (engineering): At annual meeting, the chairman said that with orders at an unprecedented level, first quarter profits were comfortably ahead of the similar period to June 30 1986.

HELENE of London: Following the rights issue of 9.39m new ordinary shares, payment will be made in respect of the balance of 495,369 shares not taken up which were sold in the market on July 31 at a premium of 40.74p each. This will be distributed among the provisional allottees except for amounts of less than £2 will be retained for the company.

WORLD OF LEATHER has purchased Hide Furnishings International of Birmingham and Leicester for £50,000 cash. Hide's sole business is the sale *of leather upholstered furniture* under franchise from World of Leather, which is expecting a significant impact on profitability from moving into a new trading area.

HENRY BARRET & SONS (steel stockholder) has acquired J. M. Grant for £420,000, paid in cash on completion. Grant is a long-established privately-owned steel distributor based in Oxford. For the year to February 28, 1987, Grant reported pre-tax profits of £11,820 and had net tangible assets of £175,589, which included freehold properties with a net book value of £10,386. These properties were valued at £370,000 on March 31.

BELHAVEN: Mr Raymond Miquel, chairman, told shareholders at yesterday's AGM that the programme to treble output at the Dunbar Brewery was on schedule for completion in October: the June launch of Belhaven lager had resulted in satisfactory sales; and the company planned a further 10 Garfunkels restaurants before the end of the year. He was *confident of the company's* future.

CASTROL has bought for £3.1m Simoniz International, a UK-based manufacturer of car-care products, from Blue Coral. Simoniz turnover in the current year is running at about £4m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Davies & Metcalfe int	0.63	Oct 6	0.63	—	0.63
Gordon Russell ...int	2	Oct 2	—	—	—
Technical Cmp Ind int	‡†1.75	Oct 1	1.5	—	4

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
245	100	28/8	147	132	BAA	132	−3	L6.6	2.4	3.3	17.3
††	F.P.	—	84	65	BRP Gold Mines A$0.25	78	......	—	—	—	—
§118	F.P.	14/8	163	152	Babygro 10p	160	......	R2.4	3.2	2.1	19.1
250	F.P.	31/7	373	250	Caradon 5p	335	−12	L6.0	3.0	2.4	17.9
§5	F.P.	—	46½	29	Cauldon 5p	29	−4	—	—	—	—
§129	F.P.	31/7	195	159	‡Colorvision 5p	172	−4	R2.2	2.7	1.8	28.5
§92	F.P.	28/8	190	157	‡Cook (D.C.) 5p	170	−5	u2.85	2.4	2.3	24.8
§82	F.P.	—	100	84	Crosby (James) 10p	84	——	R1.75	3.4	2.8	14.3
170	F.P.	28/8	216	205	Debenham Tewson 5p	205	−8	L3.25	2.3	2.2	27.6
§100	F.P.	25/8	130	116	‡Economic Forestry	121	−5	R3.0	2.5	3.4	16.1
§50	F.P.	—	57	55	*Gardner (J.) 5p	57	——	R1.25	2.3	3.0	19.7
140	F.P.	21/8	191	178	‡Graham Motors 5p	178	......	L3.5	3.5	2.7	14.5
††	F.P.	10/8	285	257	Grahams Rint'l Inv Tst 5p	257	−8	—	—	—	—
§135	F.P.	13/8	225	184	Havelock Simon (10p)	196	......	L1.9	4.1	1.3	25.4
§150	F.P.	20/7	190	150	‡Hay and Croft 10p	165	−3	R3.85	3.4	3.1	12.8
††	F.P.	—	383	335	Hogg Robinson PLC	354	−10	R4.0	2.7	1.5	32.9
§20	F.P.	—	34	29	*Honorbilt	29	−3	—	—	—	24.4
§185	F.P.	9/9	250	223	Kentish Property 5p	223	−7	t3.75	3.3	2.3	17.8
§140	F.P.	26/8	215	188	Kingsgrange 10p	197	......	42.25	2.6	1.6	29.9
§100	F.P.	—	145	120	Kingston Oil & Gas 50p	120	−13	—	—	—	—
§165	F.P.	14/8	231	165	Lancaster	230	......	L2.75	3.5	1.6	23.7
§65	F.P.	—	87	70	*Lynx Technology 5p	75	+5	—	—	—	—
100†	F.P.	—	125	115	*Medirace 10p	122	−3	—	—	—	—
§295	F.P.	—	346	285	Monarch Res. 10p	285	−20	—	—	—	—
§130	F.P.	15/7	216	163	Neoronics 5p	169	−5	R1.8	4.2	1.3	24.4
§110	F.P.	4/8	281	185	‡Parkway 5p	260	−5	R1.5	4.2	0.8	41.0
§200	F.P.	—	208	200	Princedale	200	−2	u2.25	5.1	1.5	17.5
§70	F.P	26/8	118	96	‡Rural Planning 3p	96	−5	R1.6	2.9	2.3	20.8
§35	F.P	—	70	35½	‡SEP Int'l. Hldgs. 5p	61	——	—	—	—	28.4
§63	F.P.	31/7	89	76	‡Shelton (Martin) 10p	78	−2	u1.75	2.3	3.1	19.5
§130	F.P.	18/9	158	143	*UPL Group 10p	143	——	L2.4	2.8	2.1	22.9
—	F.P.	—	177	168	USDC Inv. Trust £1	168	——	H1.3	—	1.1	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
100p	F.P.	21/8	113p	106p	‡Avesco Cnv. Ptg Cnv Red Prf 1997	106p	−2
100p	30p	23/10	33½p	30½p	Baxter(C.H.) 8.67pc Cum. Red. Prf.	31p	......
§	Nil	—	22pm	8pm	Brent Walker 6% Cum. Cnv. Red Prf £1	8pm	−3
§	F.P.	14/9	119p	100p	Crest Nich'lson 5½% Cnv Cum Red Prf £1	100p	......
§200	£18	10/9	9	7	Essex Water 9¾% Red. Deb. '97-99	7	......
§	Nil	11/9	7¾pm	9pm	Euro Home 5¼% Cnv Cum Ref Prf 2006/11 £1	9pm	−1
§	25p	11/9	25p	24p	Do. 6¾% Cnv. Red. Prf 2003/05	24p	−1
§	£50	11/9	50¾	42⅛	Govett Strategic Inv Tst 9¾% Deb 2017	42⅛	−2⅜
††	F.P.	10/8	38p	35p	Grahams Rintoul I.T. Ptd. 20p	35p	−1
100½	£10	12/9	10	10	Lee Valley Wtr. 7¼% Red. Prf. 1997/98	10	......
§	F.P.	7/9	108¼	100	Lon. Shop Prop. 7% Cnv. Uns Ln 2001/06	100	......
§98.471	£30¼	22/1	38⅛	23	Lynton Prop & Rev 10¼% 1st Mtg Deb 2017	23	−1⅛
§	F.P.	26/8	114p	106p	Magnet&Southerns 5.625%CnvCumRedPrf2012	106p	−4
§200	£10	10/9	10	7	Mid Kent Water 9¾% Red. Deb. '97-99	10	......
—	F.P.	—	100⅛	99⅞	Nationwide 9¾% Bds. 11/7/88	100⅛	......
—	F.P.	—	100	100	Do. 10% Bds 1/8/88	100	......
—	£25	11/11	25½	20¼	North Housing Assoc: 8¾% Gtd.ln.2037	20¼	......
—	F.P.	—	270p	244p	Do. Zero Cap. Ln. 2027	244p	......
§	Nil	—	6pm	¼pm	Norton Opax 5¼% Cnv. Red. Prf. 2002 £1	¼pm	−¼
§95.221	£25	2/10	26	16¼	Peachey Property 9¾% 1st Mt.Deb.2015	16¼	−⅛
††	F.P.	—	133p	100p	Rivlin 5½pc (Net) Cnv. Cum. Red. Prf.	100p	−1
§	Nil	—	5pm	3¼pm	Temple Bar I.T. 6%Cnv.Uns.Ln.2002	3¼pm	......
—	£10	24/9	12½	10	Wessex&E.Dsn.Wtr7¼%Red.Prf.96/98	10	......

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
18	Nil	—	230pm	190pm	‡Arab Jewellery 10p	190pm	−20
20	Nil	—	143pm	96pm	Baynes (Charles) 10p	96pm	−5
50	Nil	—	22pm	12pm	Beechwork 20p	20pm	......
200	Nil	4/9	190pm	100pm	Copeas (F) 5p	100pm	−17
58	Nil	15/9	225pm	210pm	DSC 10p	210pm	−10
125	Nil	11/9	21pm	3½pm	Dobson Park 10p	3½pm	−1½
435	Nil	28/8	145pm	105pm	Dowlen Print St. 5p	105pm	−15
††	Nil	4/9	74pm	24pm	ERA Group 5p	24pm	−16
25	Nil	11/9	16¼pm	6¼pm	Elswick 5p	10¼pm	−1½
210	Nil	11/9	95pm	65pm	Euro. Home Prods. 5p	65pm	−3
60	Nil	—	3pm	2pm	‡Floyd Oil 10p	2pm	......
30	Nil	—	110pm	75pm	‡Glantree 10p	75pm	−10
500	Nil	15/9	70pm	20pm	Joseph (Leopold) £1	20pm	−10
180	Nil	19/8	115pm	93pm	Lee Cooper	93pm	−7
175	Nil	—	48pm	28pm	‡Lorlin Elec.	46pm	......
310	Nil	—	20pm	14pm	Ratners 10p	15pm	......
368	Nil	4/9	95pm	80pm	Tibbook 10p	80pm	......
490	Nil	16/9	40pm	6pm	Value & Income Units	33pm	−5
48	Nil	4/9	22pm	3pm	W. A. Hldgs 10p	3pm	−3

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ⊕ Unlisted securities market. †† Official London listing. ## Including warrants entitlement. ‡ Placing and offer for sale price. * Third Market. †Issued in £2 Units comprising 2 Ord Shares & 1 Warrant. (Exercisable at 50p into 1 Ord.)

APPOINTMENTS

Grand Metropolitan makes changes

Mr Geoff W. Parsons has been appointed chairman of Watney Mann National Sales, Watney Export, and Holsten Distributors. He succeeds Mr John Jagger, who has been assigned to the office of Mr Ian A. Martin, chairman and chief executive officer of GrandMet USA Inc and chairman of Inter-Continental Hotels Corp. Mr Keith W. Taylor has been appointed managing director of Watney Combe Reid & Truman, replacing Mr Parsons. Prior to his appointment Mr Taylor was managing director of Manns Northampton Brewery Co. All are GRAND METROPOLITAN companies.

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Polly Peck has appointed Mr David Reeves as managing director RUSSELL HOBBS TOWER. He was previously acting joint managing director with special responsibility for sales, marketing and product development.

★

Mr Elliott Bernerd, the chairman of Morgan Grenfell Laurie (MGL), will relinquish the chairmanship and his directorships within the MORGAN GRENFELL LAURIE GROUP on September 1 and will become a consultant to MGL. Following the recent successful bid for Stockley, of which he was a founder director, Mr Bernerd will be concentrating on his private property interests. Mr John Lockhart, the chief executive of MGL, will assume the chairmanship of that company.

★

The following senior appointments in the BRITISH CEMENT ASSOCIATION have been made. Mr Kenneth Newman, secretary general, quality scheme for ready mixed concrete, to be director of marketing and technical standards. Mr Newman will take up his full-time appointment from January 1 but, with the agreement of the QSRMC, he will be available to the Association on a part-time basis from September 1. Mr Henry Pinneck, director of the Cement Makers' Federation, to be director of administration and industry affairs from September 1. Mr R. W. J. Wilcox, secretary and director of administration of the Cement and Concrete Association, to be secretary and deputy director of administration of the new Association from September 1. Dr R. E. Rowe, director-general of the Cement and Concrete Association, will retire on October 31. Dr Rowe will remain as a consultant. Mr A. H. Stroud, director of information and marketing in the Cement and Concrete Association, will be leaving the Association at his own request on November 13.

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At ENGLISH & AMERICAN INSURANCE GROUP the following senior management executives have been appointed additional directors of the group's principal operating subsidiaries: At English & American Investment Managers Mr D. J. Mills, Mr M. Seales and Mr P. B. A. Young. At English & American Underwriting Agency Mr P. C. Heitlinger and Mr A. K. O. Scott, while Mr R. L. Barclay, Mr K. J. Earthowl and Mr M. G. McKenzie have been appointed directors at Eastgate Management Services.

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At the same time as announcing extensive organisation and management changes in the UK, FRIENDS PROVIDENT has appointed Mr J. G. Gibson, manager of actuarial and technical services in its head office, as general manager for the Republic of Ireland. This is a new position and reflects the plans to give more autonomy to Friends Provident's growing interests in Ireland. Mr Gibson's first task will be to build up an independent marketing function to provide added support for the sales division, which remains under the control of Mr G. J. Shells, who is appointed assistant general manager for the Republic of Ireland. A further move towards greater autonomy is the reconstitution of the previous All-Ireland Advisory Board as a Republic of Ireland Advisory Board under the chairmanship of Mr Kenneth O'Reilly-Hyland.

★

Mr Graham Plowright and Mr John Purdie have become divisional directors of TAYLOR WOODROW HOMES.

★

Alfred McAlpine Homes—one of the four divisions of Alfred McAlpine — has appointed Mr Stephen Charlesworth-Jones to the board of ALFRED McALPINE HOMES PROJECTS. He joins from LCP Developments, where he was responsible for all aspects of property development and investment.

CONTRACTS

Docklands Light Railway extension

The contract has now been placed with EDMUND NUTTALL by London Regional Transport for the Docklands Light Railway City extension, worth £59.3m. The 164-week design and construct contract includes driving two 5 metre diameter tunnels from a portal at Royal Mint Street, the existing Docklands Light Railyway terminus, to Bank where a new station will be constructed.

A contract for Rosehaugh Stanhope has just started at Bishopsgate. The Post Office/AME building, worth £358,935, involves the construction of heavy foundations between railyway tracks and associated works for British Rail accommodation.

At Stockley Park two contracts have been awarded by Trust Security Holdings, the first is valued at £457,526 and is for foundations, drainage and lightweight concrete floor and roof slabs to structural steel high tech industrial units.

The second, valued at £436,640, is for enabling works to prepare the west side of Stockley Park for the major earthworks next summer. The work includes moving 250,000 cu metres of capping and refuse, the construction of haul roads and road crossings.

A contract, value £1.9m to construct the A24 Dial Post bypass has been awarded by West Sussex County Council. The work includes the construction of 1.75 km of dual carriageway road to bypass the existing winding single carriageway and to provide significant environmental relief within the village. Contract period is 74 weeks.

In Scotland Nuttall has been awarded a contract valued at £464,040 by AMEC Projects for substructures package on the new Digital semi-conductor manufacturing facility at South Queensferry. Work includes the construction of 330 metres reinforced concrete foundations, vibrocompaction and a 120 metres long by 4 metres by 6 metres high reinforced concrete services link tunnel.

Nuttall building division Mears Contractors is to construct a central offices facility at Stevenage under a £5.4m contract awarded by British Aerospace. Mears is also carrying out residential developments at Brampton and Willington.

★

NWA Inc, parent of Northwest Airlines and Northwest Aerospace Training Corporation (NATCO), has become the launch customer for a new flight simulator visual system as part of a US$35m (£22.3m) order placed with REDIFFUSION SIMULATION. Under the terms of the agreement Rediffusion will supply eight of the new Novoview SP-X 200 computer generated image systems. They will be applied to fight simulators operated by NATCO as its new flight training complex in Eagan, Minnesota. In service they will provide pilots, training on the simulator, with a highly realistic representation of the outside world, including real world airports, urban areas and topographical features, under night, dusk and a variety of visibility conditions. The order also specifies a further five Novoview SP image generators, including three SP-X 500 full daylight systems, as well as a number of options for future equipment. Northwest has also selected Rediffusion's Supra-WIDE display technology—a system capable of uninterrupted display of these images around the entire flight deck—for five of its simulators. A full data base package, representing a number of airports on Northwest's route system, is also included in the deal.

★

Orders have been won for 136 railway wagon bogies from the Cambrian works in Cardiff of GLOUCESTER RAILWAY CARRIAGE AND WAGON CO. One contract is for 82 Gloucester primary suspension bogies designed to take axle loads of 20.5 tonnes, and fitted with integral brakes incorporating a brake cylinder and linear slack adjusters. The bogies will be used on flat wagons to transport containers on the British Rail network by Tiphook Rail. The other order is for 54 Gloucester primary suspension bogies, also with integral brakes, but designed for a 22.5 tonnes axle loading. They are being fitted to hopper wagons, built by W. H. Davies (1984), for the movement of building aggregate by rail.

★

STRACHAN HENSHAW MACHINERY has received an order worth US$6m (£3.8m) for three new web offset book printing systems which will be delivered to an American customer from mid-1988 onwards. The contract is part of £7m worth of orders recently won by SHM. They include major contracts for sheet finishing, printing and packaging machinery in Morocco, Mexico, Egypt, Japan, Italy, France, UK and the US.

★

THORN SECURITY, a member of the Thorn EMI Group, has been awarded a £1.3m order to supply fire, security, communications and energy management services for a new shopping centre development in St Enoch's Square, Glasgow. The order was awarded by the management contractor for the development, Sir Robert McAlpine.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Aug 7 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Thurs August 6 Index No.	Wed August 5 Index No.	Tues August 4 Index No.	Year ago (approx.) Index No.	1987 High		1987 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (212)	921.08	-2.7	7.58	2.97	16.51	12.60	946.71	971.45	970.18	671.35	1038.07	16/7	696.73	2/1	1038.07	16/7/87	50.71	13/12/74
2	Building Materials (30)	1187.54	-2.7	7.50	2.89	16.60	15.55	1220.69	1252.60	1259.88	767.93	1381.08	16/7	860.39	5/1	1381.08	16/7/87	44.27	11/12/74
3	Contracting, Construction (33)	1695.81	-2.8	7.18	2.83	18.84	19.38	1744.52	1799.25	1804.39	1182.07	1951.58	16/7	1185.83	2/1	1951.58	16/7/87	71.48	2/12/74
4	Electricals (12)	2382.89	-2.1	6.20	3.22	20.82	36.50	2434.14	2502.23	2509.50	1744.54	2733.45	20/7	1772.22	2/1	2733.45	20/7/87	84.71	25/6/62
5	Electronics (35)	1941.89	-2.3	8.24	2.57	15.66	27.83	1986.38	2048.15	2034.62	1508.60	2236.70	17/7	1543.77	2/1	2236.70	17/7/87	1229.01	8/10/85
6	Mechanical Engineering (60)	499.62	-2.4	8.07	3.40	15.56	8.81	511.74	520.41	521.29	373.83	542.20	29/7	393.85	2/1	542.20	29/7/87	45.43	5/1/75
8	Metals and Metal Forming (7)	535.22	-3.6	7.26	2.94	16.61	6.86	555.48	565.61	569.52	323.64	591.16	30/7	355.97	2/1	591.16	30/7/87	49.65	6/1/75
9	Motors (14)	374.49	-2.4	8.87	2.91	12.92	3.42	383.77	386.10	385.22	273.79	406.20	16/7	272.03	2/1	406.20	16/7/87	19.91	6/1/75
10	Other Industrial Materials (21)	1518.67	-3.6	6.32	3.20	19.07	22.53	1575.52	1616.73	1614.97	1201.00	1712.49	16/7	1179.19	2/1	1712.49	16/7/87	277.55	15/1/81
21	CONSUMER GROUP (185)	1274.58	-1.3	6.20	2.67	20.72	14.82	1291.60	1322.33	1318.76	874.18	1406.32	16/7	950.87	2/1	1406.32	16/7/87	61.41	13/12/74
22	Brewers and Distillers (22)	1136.19	-1.2	8.24	3.14	15.36	13.24	1150.54	1184.33	1192.46	871.68	1269.35	16/7	958.04	2/1	1269.35	16/7/87	69.47	13/12/74
25	Food Manufacturing (24)	995.49	-1.1	7.85	3.07	18.42	15.17	1004.50	1020.10	1011.49	658.70	1092.25	16/7	738.32	2/1	1092.25	16/7/87	59.67	11/12/74
26	Food Retailing (16)	2392.54	-1.1	5.42	2.42	25.14	25.07	2420.24	2464.26	2470.21	1763.43	2649.96	16/7	1881.89	2/1	2649.96	16/7/87	54.25	11/12/74
27	Health and Household Goods (10)	2469.42	-0.3	4.09	1.62	28.54	15.15	2475.88	2531.19	2495.85	1462.08	2699.85	16/7	1645.70	2/1	2699.85	16/7/87	175.38	28/5/80
29	Leisure (31)	1323.42	-2.3	6.31	3.29	20.53	20.69	1354.34	1392.53	1380.65	883.12	1488.59	16/7	986.35	2/1	1488.59	16/7/87	54.83	9/1/75
31	Packaging & Paper (15)	655.93	-4.0	6.23	2.65	21.26	7.88	683.46	702.98	710.45	448.37	739.48	16/7	491.50	2/1	739.48	16/7/87	43.46	6/1/75
32	Publishing & Printing (13)	4181.82	-3.5	4.97	3.39	25.87	59.63	4332.00	4475.55	4501.57	2419.81	4627.35	30/7	2713.49	2/1	4627.35	30/7/87	55.88	6/1/75
34	Stores (36)	1054.46	-1.1	6.71	2.74	20.23	12.81	1066.71	1091.83	1095.18	827.74	1160.58	29/7	835.17	2/1	1160.58	29/7/87	52.65	6/1/75
35	Textiles (16)	779.13	-2.0	7.96	2.88	14.58	11.71	794.74	816.95	805.05	505.28	876.07	15/7	541.39	2/1	876.07	15/7/87	62.66	11/12/74
40	OTHER GROUPS (88)	1104.90	-1.2	7.84	3.19	15.94	11.46	1118.21	1133.51	1125.27	731.33	1192.30	16/7	815.89	5/1	1192.30	16/7/87	58.63	6/1/75
41	Agencies (16)	1631.58	-2.5	4.28	1.48	30.73	10.01	1673.25	1694.74	1691.79	0.0	1795.57	17/7	1111.16	2/1	1795.57	17/7/87	1111.16	2/1/87
42	Chemicals (22)	1413.30	-0.5	6.97	3.23	17.54	21.83	1421.11	1450.90	1439.41	903.53	1479.10	29/7	1082.81	2/1	1479.10	29/7/87	71.20	1/12/74
43	Conglomerates (12)	1423.37	-2.1	7.47	3.23	15.36	18.93	1454.62	1470.65	1456.06	0.0	1546.12	16/7	1112.14	2/1	1546.12	16/7/87	1112.14	2/1/87
45	Shipping and Transport (12)	2248.74	-1.4	7.15	3.54	18.61	37.76	2281.18	2293.78	2301.74	1423.57	2497.25	16/7	1567.77	2/1	2497.25	16/7/87	90.80	29/6/62
47	Telephone Networks (2)	1080.29	-0.5	9.39	3.74	14.21	2.95	1086.09	1099.25	1085.56	751.20	1274.14	9/6	837.15	5/1	1274.14	9/6/87	517.92	30/11/84
48	Miscellaneous (24)	1559.34	-1.2	8.91	2.85	13.46	18.99	1578.92	1602.56	1594.99	997.74	1715.19	17/7	1101.37	5/1	1715.19	17/7/87	60.39	6/7/75
49	INDUSTRIAL GROUP (485)	1150.73	-1.6	7.00	2.89	18.06	13.57	1169.92	1195.19	1190.90	794.41	1268.86	16/7	860.46	2/1	1268.86	16/7/87	59.01	13/12/74
51	Oil & Gas (17)	2275.24	-2.4	4.81	4.08	26.94	44.63	2330.89	2416.16	2435.59	1219.51	2458.68	16/7	1585.69	5/1	2458.68	16/7/87	87.23	29/5/62
59	500 SHARE INDEX (500)	1246.18	-1.8	6.66	3.87	19.03	16.27	1268.99	1298.83	1296.54	851.22	1369.88	16/7	915.61	2/1	1369.88	16/7/87	63.49	13/12/74
61	FINANCIAL GROUP (119)	791.78	-2.0	—	3.75	—	14.81	807.59	824.35	816.28	575.02	882.11	16/7	615.75	2/1	882.11	16/7/87	55.88	13/12/74
62	Banks (8)	799.38	-1.6	17.33	4.82	7.63	17.82	812.07	824.10	816.17	612.29	898.38	16/7	685.07	14/4	898.38	16/7/87	62.44	12/12/74
65	Insurance (Life) (9)	1052.62	-4.2	—	4.00	—	20.71	1098.45	1115.99	1092.24	817.29	1194.71	7/7	869.23	2/1	1194.71	7/7/87	44.88	2/1/75
66	Insurance (Composite) (7)	598.17	-1.4	—	4.09	—	11.76	606.82	624.09	610.72	461.09	664.97	20/7	456.52	2/1	664.97	20/7/87	43.96	13/12/74
67	Insurance (Brokers) (9)	1229.84	-3.4	9.62	4.53	13.32	26.32	1272.98	1316.03	1309.25	1167.36	1399.56	17/7	1089.71	14/4	1399.56	17/7/87	65.86	16/12/74
68	Merchant Banks (11)	470.60	-1.5	—	2.87	—	6.88	477.88	488.31	479.36	324.47	505.57	20/7	345.85	2/1	505.57	20/7/87	31.21	7/1/75
69	Property (47)	1201.67	-0.9	3.98	2.46	32.50	12.29	1212.63	1254.76	1248.55	747.57	1374.86	16/7	805.82	5/1	1374.86	16/7/87	56.01	20/4/65
70	Other Financial (28)	548.40	-2.8	6.04	2.78	20.95	7.44	564.39	569.28	571.73	390.94	603.48	16/7	365.01	2/1	603.48	16/7/87	33.29	17/12/74
71	Investment Trusts (91)	1100.20	-0.9	—	2.19	—	11.46	1110.26	1123.23	1114.68	742.94	1149.12	16/7	867.57	2/1	1149.12	16/7/87	71.12	13/12/74
81	Mining Finance (2)	652.53	-2.8	5.17	2.55	22.20	6.79	671.85	683.36	711.77	753.49	727.93	3/8	341.86	2/1	727.93	3/8/87	66.31	30/9/74
91	Overseas Traders (10)	1159.40	-3.3	7.99	4.13	14.85	25.33	1178.55	1187.05	1186.53	620.72	1201.39	3/8	778.26	2/1	1201.39	3/8/87	97.37	6/1/75
99	ALL-SHARE INDEX (722)	1129.44	-1.8	—	3.14	—	15.44	1149.91	1176.13	1173.25	757.22	1238.57	16/7	835.48	2/1	1238.57	16/7/87	61.92	13/12/74

		Index No.	Day's Change	Day's High	Day's Low	August 6	August 5	August 4	August 3	July 31	Year ago	1987 High		1987 Low		Since Compilation High		Since Compilation Low	
	FT-SE 100 SHARE INDEX ♦	2226.2	-35.2	2233.2	2196.4	2261.4	2317.4	2307.8	2334.3	2360.9	1526.7	2443.4	16/7	1674.5	2/1	2443.4	16/7/87	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri August 7	Day's change %	Thurs August 6	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.97	-0.07	121.05	—	6.83
2	5-15 years	134.70	-0.18	134.94	—	8.51
3	Over 15 years	143.02	-0.37	143.55	—	7.72
4	Irredeemables	155.73	-0.84	157.06	—	7.27
5	All stocks	132.51	-0.19	132.76	—	7.86
	Index-Linked					
6	5 years	121.58	-0.30	121.94	—	1.57
7	Over 5 years	113.48	-0.98	114.61	—	2.08
8	All stocks	113.98	-0.92	115.04	—	2.03
9	Debentures & Loans	117.63	-1.74	119.71	—	6.20
10	Preference	86.69	-0.98	87.55	—	3.49

	AVERAGE GROSS REDEMPTION YIELDS		Fri August 7	Thurs August 6	Year ago (approx.)	1987 Highs		1987 Lows	
	British Government								
1	Low	5 years	9.05	8.95	8.33	9.78	2/1	7.52	11/5
2	Coupons	15 years	9.80	9.76	9.24	10.08	2/1	8.53	8/5
3		25 years	9.81	9.77	9.28	10.06	2/1	8.55	8/5
4	Medium	5 years	10.26	10.21	9.68	10.80	2/1	8.39	8/5
5	Coupons	15 years	10.08	10.04	9.58	10.39	2/1	8.74	8/5
6		25 years	9.88	9.81	9.57	10.18	2/1	8.75	8/5
7	High	5 years	10.34	10.29	9.74	10.84	2/1	8.58	8/5
8	Coupons	15 years	10.25	10.20	9.74	10.57	2/1	8.86	8/5
9		25 years	9.90	9.84	9.58	10.24	2/1	8.72	8/5
10	Irredeemables †		9.75	9.68	9.26	10.06	2/1	8.67	8/5
	Index-Linked								
11	Inflat'n rate 5%	5 yrs.	2.86	2.74	3.69	3.95	2/1	2.03	20/5
12	Inflat'n rate 5%	Over 5 yrs.	3.94	3.87	3.54	3.94	7/8	3.30	6/4
13	Inflat'n rate 10%	5 yrs.	2.67	2.55	2.48	2.67	7/8	0.85	24/3
14	Inflat'n rate 10%	Over 5 yrs.	3.91	3.84	3.39	3.91	7/8	3.17	27/3
15	Debs &	5 years	10.88	10.62	10.06	11.46	2/1	9.46	12/6
16	Loans	15 years	10.93	10.62	10.44	11.30	2/1	9.79	23/3
17		25 years	10.96	10.62	10.51	11.30	2/1	9.84	23/3
18	Preference †		10.51	10.40	10.89	11.83	2/1	10.05	22/6

♦ Opening index 2232.3; 10 am 2227.4; 11 am 2196.6; Noon 2209.6; 1 pm 2230.9; 2 pm 2218.2; 3 pm 2219.2; 3.30 pm 2218.3; 4 pm 2224.5.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/04/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/04/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs. & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 32p.

CONSTITUENT CHANGES: Octopus Publishing Group (32) has been deleted and replaced by BAA (45). NAME CHANGES: Micro Business Systems to MBS (3) and Rugby Portland Cement to Rugby Group (2).

INTL. COMPANIES and FINANCE

Pickens picks Singer as next investment target

BY RODERICK ORAM IN NEW YORK

SINGER, the US defence electronics group, has become the latest investment target of *Mesa Limited Partnership, the* main vehicle of Mr T. Boone Pickens, the Texas corporate raider.

Mesa said yesterday it was seeking permission to raise its stake in Singer to 15 per cent from 4.4 per cent currently. The news came in Mesa's filing with the Federal Trade Commission under the Hart-Scott-Rodino Act. It added that the FTC could grant approval within the next 30 days.

Singer's shares leapt $3⅞ to $50¾ on *volume of more than* 700,000 by late morning as arbitrageurs saw the company as a likely target for further action by Mr Pickens. They *remain highly sceptical that he* could force a recapitalisation or restructuring on Boeing.

The aircraft maker revealed 10 days ago that Mesa was seeking permission to buy up to 15 per cent of its shares. Boeing's shares fell $1⅛ to $51 yesterday morning, extending to nearly $3 their fall since the markets decided Boeing was too powerful an adversary for Mr Pickens.

Singer recently reported a second-quarter net loss of *$20.2m, or $1.02 a share com*pared with profits of $21.8m or 98 cents a year earlier. The loss was caused by a $45m pre-tax charge for higher-than-*expected costs to complete the* development phase of three aerospace electronics projects.

Mesa has been pursuing an aggressive strategy of investing in industrial compaines to make up for a shortfall in cash flow from its natural gas and oil operations.

Under the partnership agreement, Mesa is locked for now into an annual payout of $2 per partnership unit and $1.50 per preferred share. It reported second-quarter profits of $3.4m *or 8 cents a share against* $12.3m or 18 cents.

Chargeurs holds Prouvost stake

BY GEORGE GRAHAM IN PARIS

CHARGEURS, the French transport and television group, yesterday *disclosed* that it had taken an 11.7 per cent stake in the leading textiles company Prouvost, putting an end to a week of speculation over the mystery buyer of Prouvost shares.

Prouvost's share price had climbed by 40 per cent in 10 days to a peak of FFr 380 ($61.60), before falling back sharply on Thursday, and yesterday slid gently to FFr 338.5.

The COB, France's stock *exchange watchdog, said yester*day it was launching an investigation into Chargeurs' share purchases, aimed at finding out *if the company had failed* to disclose in time that it had crossed the new reporting threshold of 5 per cent.

No comment came from Chargeurs yesterday on its plans for the Prouvost stake, but stockbrokers said the group, headed by Mr Jerome Seydoux, had ample cash to make a full bid for Prouvost, which has a major presence in wool, from knitting wool and fabrics to ready-made garments. They suggested that Chargeurs might wait until the Prouvost share price had fallen back from the exceptionally high levels it reached this week.

Prouvost said yesterday it was unflustered by the disclosure of the Chargeurs stake, and indicated that the com*pany's capital was tightly* held by family interests with around 29 per cent, while banks and *other* friendly shareholders controlled a further 31 per cent.

The company made net profits of FFr 116m last year on turnover of FFr 8.39bn.

Besides its major transport interests—the airline UTA was the major source of earnings last year—Chargeurs has recently launched into the audio-visual sector. Part of the con*sortium which took over* France's fifth television channel earlier this year, the group also expects a sizeable compen*sation payment from the* Government for the cancelling of the franchise it had won under the previous socialist government for the sixth channel.

EMS Chemie confident of profits increase

By John Wicks in Zurich

EMS CHEMIE Holding, the Swiss chemical concern, expects group turnover to rise to something approaching SFr *600m ($384.6m)* this calendar year, compared with SFr 517m in 1986.

The company also reckons with a good increase in earnings, in the absence of unexpected negative factors. Last year consolidated net profits after tax had fallen slightly from SFr 40.9m to SFr 40.5m.

For the first half of 1987, *group sales have* risen 19 per cent over the same period of last year, with what EMS says is a positive earnings trend. The *improvement in both turnover* and profits is attributed primarily to the recent acquisition of control of SSF-Dottikon, the *Swiss explosives manufacturer*.

Elsewhere, turnover and earnings remained at corresponding 1986 levels due to unfavourable exchange rates.

Downturn at Trinkhaus

TRINKAUS und Burkhardt, 70 per cent owned by Midland Bank of the UK, said operating profits in the first half of 1987 fell on lower earnings from securities trading, Reuter reports.

The bank gave no precise figures. Earnings for the entire year are likely to be satisfactory, the bank said.

Group partial operating earn*ings, excluding trading on the* bank's own account, rose to DM 43.1m ($23.2m), from DM 42.1m in the first half of 1986.

The group interest surplus rose in the first half to DM 52.7m, from DM 47.1m. The commission *surplus rose to* DM 51.8m, from DM 49.3m in the same period.

Underwriting surplus for Commercial Union SA

BY JIM JONES IN JOHANNESBURG

COMMERCIAL UNION, the South African composite insurer 45 per cent-owned by Commercial Union of the UK, re*turned to a short-term under*writing surplus in the six months to June as better rates combined with an increase in the *amount of short-term pre*mium written.

Competition in the short-term insurance market has abated since last year's failure of one company and this has been accompanied by a general increase in rates by the survivors.

Commercial Union's short-term premiums increased to R105.1m ($50.7m) from R75.0m, there was an interim under*writing surplus of R3.7m against* a deficit of R2.0m, and pre-tax profits rose to R12.6m from R3.3m. Life and pensions premiums fell to R57.4m from R66.5m.

Net earnings increased to 106.0 cents a share from 33.6 cents and the interim dividend has been raised to 18 cents from 15 cents. Last year earnings totalled 112.7 cents and the total dividend was 47 cents.

Haggie ahead at mid-term

BY OUR JOHANNESBURG CORRESPONDENT

HAGGIE, South Africa's largest manufacturer of wire rope, increased sales and profits in the half-year to June but has *suffered from adverse exchange* rate shifts and the loss of US markets.

Mr John Feek, the managing director, says that the local market has shown a small improvement, and interim turnover rose to R375m ($180.9m) from R335m. Pre-tax profits were R53.7m against R46.6m.

Net earnings rose to 121 cents a share from 110 cents and the interim dividend has been lifted to 27.5 cents from 25 cents. Last year earnings totalled 237 cents and the *year's dividend* was 95 cents.

● Murray and Roberts, one of South Africa's largest construction groups, returned to profits in its year to June and expects earnings to grow further.

The preliminary report does not disclose turnover or pre-tax profit figures, although an after-tax operating profit of R37.3m was earned against the previous year's loss of R7.6m.

Net earnings were 166 cents a share and a total dividend of 42 cents has been declared. The previous year's dividend was 10 cents, though a loss of 55 cents was incurred.

Cascades mill reopened

CASCADES, one of Canada's fastest growing paper products groups with three plants in *France, is reopening* a tissue and coated paper mill at Niagara Falls, to produce corrugating medium from waste *paper for the packaging indus*try, writes Robert Gibbens in Montreal. Initially there will be one machine, and a second will be added later.

Cascades reported a first-half *net profit of C$12.4m (US$9.4m)* or 26 cents a share, against C$12.8m or 26 cents a year earlier, on sales of C$264m *against C$215m. The latest* period excludes special gains of C$8.5m against C$2.3m.

Wolters' Kluwer deal in doubt

BY LAURA RAUN IN AMSTERDAM

WOLTERS SAMSOM'S take-*over of* Kluwer, the Dutch publishing company, could fall through, if all the Kluwer shares bought on paper cannot *be delivered*.

The companies, their bankers and the Amsterdam stock exchange were caught in mass confusion yesterday as to the ownership of all Kluwer shares. The banks have announced that Wolters Samson has commitments for 50.9 per cent of Kluwer, while Elsevier, the publisher which has waged a competing bid for Kluwer, has 48.25 per cent.

But Wolters Samsom's bank acquired some of the shares through short sales and it now appears that those positions cannot be covered, due to a lack of stock. The scarcity of Kluwer stock has sent its share price soaring as much as 600 per cent to Fl 3,100 this week, although it plunged to Fl 1,000 yesterday.

Elsevier, the second largest publishing group, could end up with control of its smaller rival, Kluwer, if it finds itself with more shares than originally thought, due to the trading irregularities.

Elsevier will announce on Thursday exactly how many Kluwer shares it has physically received, while Wolters Samsom will report on Friday.

For the time being, Wolters Samsom, the fourth biggest publisher, assumes that the merger will go through, but an official admitted yesterday that, if the short positions cannot be covered, it would present difficulties. "We demand delivery," he said in no uncertain terms, and added that compensation would be demanded from any parties failing to deliver stock.

Meanwhile, Wolters Samsom announced that it has sold the Park Place Finance Group, a credit and leasing subsidiary, to the London York Trust Group for £3.1m ($4.9m). The Dutch publisher acquired the finance group, along with its 1986 purchase of Park Place.

Northern Star buys more TV stations

NORTHERN STAR, a broadcasting group 15 per cent owned by Mr Rupert Murdoch's News group, yesterday acquired control of TV stations in three more cities to become the biggest network in the country, AP-DJ reports from Sydney.

Northern Star owned some small stations until early this year, when it acquired channels in Sydney and Melbourne from Mr Murdoch, who then bought his stake in Northern Star. It can now claim access to some 60 per cent of Australia's viewing audience.

The deals yesterday also expand further Mr Murdoch's newspaper empire in Australia.

TV stations now acquired by Northern Star—in Perth, Adelaide and Canberra—were sold by Mr Kerry Stokes, an investor who had hoped to have his own network but lost out in the restructuring of the media over the past year following changes in government rules on media ownership.

The company paid A$206m (US$144.2m) for 61.5 per cent of Oakminster Holdings, which owns two-thirds of BDC Investments, the station operator, and is to launch a full bid for BDC.

Northern Star is meanwhile to sell its newspaper interests in a divestment which involves management buyouts of the Adelaide News and the Daily and Sunday Sun titles in Brisbane for A$35m. It also is negotiating to sell its regional newspapers in New South Wales and Queensland to News Corporation for A$70m.

The biggest shareholder in Northern Star is Westfield Capital with 45 per cent.

Brisk sales boost Asahi Breweries

By Yoko Shibata in Tokyo

ASAHI BREWERIES of Japan boosted its pre-tax profits in the half year to June by 82 per cent to a record Y4.1bn ($27.1m). The strong performance was attributed to brisk beer sales—in particular, new products have been selling faster than expected.

Interim net profits doubled to Y1.61bn, on turnover of Y148.42bn, up 21 per cent from the previous year.

National beer consumption is expected to rise 5 per cent to 6 per cent this year, to a second consecutive record, *thanks* to a hot summer and consumers' shift away from Shochu (distilled spirits) to beer.

Asahi Breweries has recently revised its estimate of annual shipments of newly marketed Super Dry beer from the initial 1m cases to 8m cases. This would translate into an increase of Y48bn on a retail price basis.

For the full year, Asahi projects a 30 per cent increase in its beer sales. Full-year pre-tax profits are expected to reach Y8.5bn, up 60 per cent, on turnover of Y330bn, up 27 per cent from the previous year.

Sanyo Electric tumbles into the red

By Our Tokyo Staff

SANYO ELECTRIC, the Japanese consumer electronics group, slid into a consolidated net loss of Y7.7bn ($50.9m) in the half-year to June, compared with previous interim net profits of Y8.19bn.

Sales dropped 5.1 per cent to Y557.86bn *despite* the enlargement of the Osaka-based group through a merger with Tokyo Sanyo Electric. *The yen's appreciation* dragged down export sales of video cassette recorders and audio equipment, and was *blamed for an estimated* Y33.2bn worth of lost profits.

A Y4bn loss at Tokyo Sanyo's semiconductor manufacturing subsidiary was another negative contributor. Out of the seven consolidated subsidiaries covered by the consolidated results, four including three overseas units were in the red.

For the full year, Sanyo expects to incur a net loss of Y4.9bn, on turnover of Y1,200bn, up 1.6 per cent from a year ago.

NORTH AMERICAN QUARTERLY RESULTS

ALEXANDER & ALEXANDER
Insurance broker

Second quarter	1987 $	1986 $
Revenues	294.7m	269.2m
Net income	27.9m	19.6m
Net per share	0.66	0.48
Six months		
Revenues	564.2m	519.0m
Net income	42.3m	41.7m
Net per share	1.00	1.02

ATARI
Home computers

Second quarter	1987 $	1986 $
Revenues	70.7m	55.5m
Net income	13.5m	9.7m
Net per share	0.23	0.22
Six months		
Revenues	135.8m	105.6m
Net income	28.8m	12.4m
Net per share	0.50	0.28

BENEFICIAL
Financial services

Second quarter	1987 $	1986 $
Revenues	335.4m	294.6m
Op. net income	48.2m	20.7m
Net per share	1.96	0.75
Six months		
Revenues	610.8m	586.7m
Op. net income	73.8m	41.3m
Net per share	2.94	1.50

CLOROX
Bleach, consumer products

Fourth quarter	1986-87 $	1985-86 $
Revenues	341.7m	317.2m
Net income	31.5m	29.2m
Net per share	0.59	0.55
Year		
Revenues	1.13bn	1.1bn
Net income	104.9m	95.6m
Net per share	1.96	1.80

ENRON*
Energy

Second quarter	1987 $	1986 $
Revenues	1.42bn	1.69bn
Op. net income	8.0m	†11.8m
Net per share	†0.06	†0.54
Six months		
Revenues	3.12bn	4.78bn
Op. net income	68.0m	63.1m
Net per share	0.99	0.87

MATTEL
Toys and games

Second quarter	1987 $	1986 $
Revenues	256.4m	243.2m
Net income	899,000	224,000
Net per share	0.03	0.01
Six months		
Revenues	468.2m	442.4m
Net income	298,000	†2.6m
Net per share	0.01	†0.08

† Loss

UNIVERSAL LEAF TOBACCO
Tobacco dealer

Fourth quarter	1986-87 $	1985-86 $
Revenues	468.3m	305.7m
Net income	7.56m	7.48m
Net per share	0.44	0.44
Year		
Revenues	2.11bn	1.27bn
Net income	55.9m	47.1m
Net per share	3.25	2.74

GEORGE WESTON
Retailing

Second quarter	1987 C$	1986 C$
Revenues	2.59bn	2.29bn
Net income	48.3m	37.9m
Net per share	0.85	0.71
Six months		
Revenues	5.05bn	4.46bn
Net income	48.3m	37.9m
Net per share	0.85	0.71

COMMODITIES AND AGRICULTURE

WEEKLY PRICE CHANGES

	Latest prices per tonne unless stated	Ch'nge on week	Year ago	1987 High	1987 Low
METALS					
Aluminium					
Free Market c.i.f.	$1760/770	-5	$1250/250	$1770/1780	$1205/1225
Antimony					
Free Market 99.6%	$2200/2270	+67.5	$2380/2420	$2400/2500	$2160/2290
Copper-Cash Grade A	£1112.75	+3.75	£88.5	£1137.75	£870.25
3 months Grade A	£1087.5	+0.5	£901.75	£1107.5	£849.5
Gold per oz	$463.25	+1.5	$369.875	$476.75	$390.25
Lead Cash	£405	+5.5	£259.75	£445	£288.75
3 months	£386	+6.5	£259.62	£417.5	£290.75
Nickel					
Free market	254/264c	+8	175/193c	257/267c	158/177c
Palladium	$139.00	-7.00	$125.40	$161.00	$117.15
Platinum per oz	$610.00	-0.50	$602.25	$646.50	$476.75
Quicksilver (76lbs)	$270/275	+17.5	$165/165	$270/280	$150/160
Silver per oz	507.75p	-12.30	352.35p	653.50p	344.40p
3 months per oz	521.00p	-12.90	360.35p	668.20p	358.70p
Tin					
Free market	£4230/4280	+240	£3670/700	£4,610/640	£3,980/980
Tungsten Ind	$53.69	—	$52.16	$58.16	$41.44
Wolfram (22.04 lbs)	$43/55	-2.5	$40/48	$50/55	$32/42
Zinc cash	£514	+14	£545.25	£567	£448.5
3 months	£511.75	+16.5	£545.25	£550.5	£448
Producers	$880	—	$840	$870	$770/790
GRAINS					
Barley Futures Nov	£99.65	-0.05	£105.15	£116.55	£95.30
Maize French	157.50u	-2.5	£162.00	£163.50	£142.00
WHEAT Futures Nov	£101.70	-0.25	£106.50	£126.50	£96.75
SPICES					
Cloves	$3500	+150	$4500	$3,800	$3,200
Pepper white	$5600	+300	$5900	$6,400	$4,900
black	$4600	+50	$4000	$4,900	$4,200
OILS					
Coconut (Philippines)	$406w	—	$205	$530	$320
Palm Malaysian	300z	—	$208	$390	$285
SEEDS					
Copra (Philippines)	$262.5y	-2.5	$150	$320	$220
Soyabeans (U.S.)	$150.5y	+5	$174	$162.5	$133.5
OTHER COMMODITIES					
Cocoa Futures Dec	£1310.5	-34	£1444.5	£1,439.5	£1,219.5
Coffee Futures Nov	£1311	+56.5	£1842.5	£1655.5	£1,210.5
Cotton Outlook A Index	85.60c	-0.8	‡	86.40c	58.65c
Gas Oil Fut. Sept	$156.75	-0.5	$126.75	$173.25	$125.5
Jute LJA BWC grade	$390	—	$59.5	$390	$280
Rubber kilo	70.25p	+1.75	59.5p	71p	60p
Sisal No. 3L	$615	+5	$625	$615	$510
Sugar (Raw)	$150.4y	-0.2	$155	$204	$139.5
Tea (quality) kilo	165p	-7	200p	180p	140p
(low med) kilo	78p	+4	106p	111p	50p
Wooltops 64s Super	493p kilo	+8	395p kilo	493p kilo	416p kilo

‡ Unquoted. (v) Sept. (y) Aug/Sept. (w) Sept/Oct. (t) Oct/Nov. (z) Oct.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1650-60	-15	—

Official closing (am): Cash —— (——), three months 1,646-50 (1,671-4), settlement —— (——). Final Kerb close: 1,650-60. Ring Turnover: 550 tonnes.

99.5% purity	£ per tonne		
Cash	[illegible]		
3 months	[illegible]		

INDICES

REUTERS

Aug. 7	Aug. 6	M'th ago	Year ago
1637.0	1636.6	1640.0	1466.6

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Aug. 6	Aug. 5	M'th ago	Year ago
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Fut	[illegible]	[illegible]	[illegible]	[illegible]

(Base: December 31 1931=100)

COPPER

Grade A	Unofficial close	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

Standard			
Cash	[illegible]		
3 months	[illegible]		

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

TIN

KUALA LUMPUR TIN MARKET—Close: 18.61 (18.73) ringgit per kg. Down 0.12.

LONDON METAL EXCHANGE TRADED OPTIONS

GOLD

GOLD BULLION (fine ounce) Aug 7

SILVER

Silver was fixed 16.2p lower for spot delivery in the London bullion market yesterday at 507.75p. US cent equivalents of the fixing levels were: [illegible]

COFFEE

Robustas opened steadily on concern over cold weather in Brazil, reports Drexel Burnham Lambert. [illegible]

COCOA

The market made the opening levels due of £5 lower and then drifted to recent lows. [illegible] reports Gill and Duffus.

GRAINS

LONDON GRAINS—[illegible]

FREIGHT FUTURES

The market opened 45 points higher, basis October, on a higher index market and the key Gulf/Japan route reported being fixed at $18.90. The higher levels were maintained throughout the morning and the announcement of a 24.5 point rise in the BFI led to further gains, with buying accelerating toward the close on rumours of a $17.25 Gulf/Japan fixture, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1198/1199	1198/1170	1146/1158
Jan.	1195	1198/1170	1151
Apr.	1207/1215	1215/1205	1175
July	1060	1060	1000/1058
Oct.	1130	—	1054
Jan.	1150	—	1100
April	1200	—	1145
BIF.	1059	—	1014.5

Turnover: 677 (248.

POTATOES

A drop in the Dutch market to test *recent lows below Fl 21 briefly helped* to undermine sentiment on the London market, pushing April to below £126.00. However, selling interest in this area was again limited and by lunch the *market had taken on a firmer tone*. Further nervous short-covering in the afternoon ahead of weekend lifted values by over £1.00 to close steady, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	69.70	68.80	69.00
Feb.	98.00	97.50	—
March	89.00	84.50	85.60-85.3.0
Apr.	127.40	126.50	127.80-125.70
May.	140.70	140.50	141.00-13900

Sales: 479 (507) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.60-17.75*	+0.025
Brent Blend	19.55-19.65	-0.075
W.T.I. (1pm edt)	20.95-21.05*	-0.175
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	196-198	—
Gas Oil	164-166	-1
Heavy fuel Oil	111-113	—
Naphtha	170-172	-1

* September.
Petroleum Argus estimates.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 99.87p per kg lw (+0.75). GB—Sheep 202.76p per kg est dcw (-4.11). GB—Pigs 76.60p per kg lw (+2.89).

SOYABEAN MEAL

	Yesterd'ys close	+ or —	Business done
	£ per tonne		
August	122.0-127.0	+1.50	—
October	125.5-126.0	+1.45	—
Dec	125.0-125.5	+0.75	125.0
Feb	126.2-127.5	+2.25	—
April	127.0-128.5	+2.50	—
June	124.0-126.0	+1.00	—
August	124.0-126.0	+1.25	—

Sales: 50 (nil) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $150.40 (£95.80), down 40c (down 20p) a tonne for August-September delivery. White sugar $173.20, down 20c.

Sales: 1,305 (1,899) lots of 50 tonnes.

& Lyle delivery price for granulated basis sugar was £199.00 (£199.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for August 6: Daily price 5.61 (same): 15-day average 5.71 (5.73).

No. 6 Contract	Yesterd'ys close	Previous close	Business done
	$ per tonne		
Oct.	156.0-156.4	154.2-154.4	158.0-154.4
Dec	141.0-145.8	140.4-142.0	147.0-141.8
Mar	151.0-151.2	150.0-150.4	152.2-151.8
May	154.6-155.0	153.6-154.4	—
Aug	—	—	—
Oct	161.0-162.0	159.8-161.0	—

PARIS—(FFr per tonne): Oct 1087-1090, Dec 1103-1110, March 1150-1155, May 1178-1185, Aug 1205-1232, Oct 1235-1242.

GAS OIL FUTURES

Month	Yesterd'ys close	+ or —	Business done
	US$ per tonne		
Aug.	155.75	-0.25	156.75-55.25
Sept.	156.75	-0.75	163.50-56.25
Oct.	168.75	-0.75	170.50-68.25
Nov.	170.50	-1.00	171.50-70.25
Dec.	174.00	-0.50	174.50-72.50

Turnover: 4,229 (6,466) lots of 100 tonnes.

RUBBER

PHYSICALS—Closing prices (buyers): Spot 70.25p (70.00p); Sept 69.50p (69.25p); Oct 69.75p (69.50p). The Kuala Lumpur fob prices (Malaysia/Singapore cents) per kg were RSS No 1 259.5 (259.0); SMR 20 222.5 (222.0).

US MARKETS

SILVER FUTURES led the way with a sharp decline in the last hour of trading, reports Drexel Burnham Lambert. Following earlier weakness the market traded indifferently before local selling touched off commission house stops as prices penetrated support levels. This weakness spilled over into the gold and platinum which also fell sharply towards the close. The precious metals recovered slightly to close with pared losses as profit-taking emerged. The dollar was quiet. Sugar steady on continued good fundamentals. Crude oil featured continued technical weakness with long liquidation in the face of trade support. Early trade buying in sugar overcame commission house selling to touch off some stops, pushing values higher before trade selling at the highs forced prices to back off. Long liquidation by the funds in cocoa was met by industry buying.

NEW YORK

[illegible]

CHICAGO

[illegible]

WORLD STOCK MARKET

WALL STREET

Mixed trend on profit taking

A MIXED TREND prevailed on Wall Street yesterday when the Dow 30 Industrials was unable, thus far, to break through the 2600 level. Analysts said failure could require more than one new attempt to pierce 2600 on a lasting basis. But then, they expect further strong gains.

Brokers said that as the Dow 30 approached the 2600 level, it collided with profit-taking.

After rising 3.03 to 2597.26, the Dow Jones Industrial Average returned to 2594.23 by 1 pm, unchanged on the day but up 22.16 on the week. The NYSE All Common index, at $180.92, rose 55 cents on the day and $2.28 on the week. Trading volume 178.04m shares.

Blue Chips hesitated but Technology stocks extended Thursday's revival and Oils fell further. US credit market prices fell and the dollar gained on a sharply higher than expected rise in employment.

An economist with a major brokerage firm said that while the rise in employment reported this morning was well above estimates, the drop in unemployment to 6 per cent might suggest a shortage of labour developing.

In Technology stocks, Teledyne wwas up $1¾ to $367, Texas Instruments $1⅛ to $66¼, Cray $1⅝ to $111⅝ and Ditigal Equipment $1⅝ to $170¾.

Oils continued Thursday's retreat after a run-up early in the week on Gulf nervousness. In the Dow 30 oils, Chevron was down $½ to $59½, Texaco $¾ to $44⅞ and Exxon $1⅛ to $95⅞.

THE AMERICAN SE Market Value index was off 0.68 to 360.72, reducing its rise on the week to 2.69. Trading volume 12.56m shares.

Closing prices for North America and Canada were not available for this edition.

CANADA

Stocks were mixed in busy midday trading as Mines and Metals lost ground, but Banks advanced broadly.

The Tronto Composite index edged up 3.10 to 4042.90.

Golds, which surged this week on the strength of beightened tensions in the Middle East, slumped in moderate trading.

Dome Mines shed $¼ to $21¼ after news that parent Dome Petroleum rejected a bid by Giant Yellowknife to takeover control of Dome Mines.

In situation stocks, Dome Petroleum eased 5 cents to $1.15 among leading active traders—it said that it failed to win aproval from each major lender to extend an interim debt plan that expired at the end of June.

Inco held unchanged at $28¼—it formed a separate unincorporated business unit to carry on its precious metal mining and exploration.

Mitel gained $¼ to $6¼, despite an increased operating loss for its first quarter ended June 26.

TOKYO

Higher in moderate trading, due to easier oil prices and record gains on Wall Street overnight.

The Nikkei Dow index closed another 142.72 up at 24,800.95, after hitting 24,812.84 earlier. Advances led delines 10-to-7 in turnover of 650m (600m) shares.

Securities House, Rolling Stock, Bank, Gas, Insurance, Rubber, Warehouse, Land Transport and Construction shares gained ground, but Communications, Electronics and Non-Ferrous Metals fell.

The market rebounded from its depression caused by Middle East tension. Oil prices fell as fears of war in the Middle East Gulf subsided.

Falling oil and other world commodity prices eased recent concern over inflation, brokers said.

A rise on Thursday in Britain's base lending rate pushed Tokyo bonds lightly lower but had little effect on stocks.

Traders are expected to hold back before US trade data for June comes out next Friday, brokers said.

The broad-based first index rose a further 11.56 to 2,041.48. The second section index also rose 9.46 to 2,542.04. Turnover 24m (same) shares.

HONG KONG

Share prices opened easier but rallied later, and the Hang Seng index closed 38.25 phigher at a new high of 3,536.19.

Trading was active and turnover was a fairly large $HK2.28bn ($HK2.47bn).

Trading focused on the Cheung Kong group of firms because of continued speculation about a share placement by the group. Cheung Kong were 10 cents higher at $HK13.30, Hutchison Whampoa 20 cents at $HK14.40 and Cavendish International 10 cents at $HK5.75.

Tom Howe, Assistant Director of Schroders Asia Ltd, said those companies having major interest in two types, or more, of businesses will consider a spin-off to enhance the image of their operations as fund managers are becoming sector oriented when planning for their portfolios.

SINGAPORE

Sharply improved interim results from two major local banks, UOB and OCBC, triggered off a wave of strong buying interest and pushed share prices higher over a broad front in active trading.

The Straits Times closing index moved up 28.27 to a record 1,464.22. Volume 49.2m (47.0) shares.

OCBC firmed 40 cents to S$11.30 on about 1.0m shares, following its 28 per cent rise in profit to S$94.46m.

Brokers said a recent crop of good corporate results coupled with expectations of positive news from Prime Minister Lee Kuan Yew's National Day message at the weekend underpinned sentiment.

AUSTRALIA

Share markets closed barely steady as support for Blue Chip Industrials largely offset early selling pressure in the Resource sector.

Good offshore and local demand for selected Industrials surfaced in the afternoon session, with Retail, Building and Property Trusts all up. Bullion's relative inactivity overnight saw a widespread withdrawal of support for heavyweight Mines, despite good turnover.

The All Ordinaries index was 0.5 up at 2083.9, the All Industrials gained 10.0 to 2955.3, but the Gold index fell 11.5 to 3989.8, the All Resources 6.8 to 1417.4 and Metals & Minerals 8.0 to 1412.8. Oil & Gas rose 16.7 to 1047.0. Turnover 175.93m shares worth $A365.71m. Rises just outnumbered falls.

GERMANY

Firmer, with strong gains on the week as continued foreign buying pushed up leading Blue Chips and gave a boost to markets.

Banks rose particularly strongly, with Deutsche rise DM15.5 to 714, Dresdner DM5.50 to 365 and Commerzbank DM7.50 to 303.

Dealers said trading was uneven but lively at the close. Some added that Japanese investors had figured among buyers.

The Commerzbank 60-share index, calculated at mid-session, rose 6.1 to 2,039.3.

PARIS

Concern over the upward move of interest rates eventually took its toll on share prices here, bringing them to easier close.

Trading was thin amid the main French holiday period and a small amount of selling pressure was enough to turn round the firmer tone that began Wednesday.

Peugeot moved up FFr 5 to 1,450 following news that French car exports and domestic registrations rose quite strongly in the first half of 1987.

NEW YORK

CANADA

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

Indices

NEW YORK

DOW JONES

STANDARD AND POORS

TRADING ACTIVITY

CANADA

TORONTO

NEW YORK ACTIVE STOCKS

CURRENCIES & MONEY

FOREIGN EXCHANGES

Dollar continues to advance

THE DOLLAR maintained an upward trend on the foreign exchanges yeterday, meeting further selling intervention by the US Federal Reserve and West German Bundesbank. The currency was supported by news that US civilian unemployment in July fell to its lowest level since December 1979.

Unemployment fell to 6 per cent from 6.1 per cent, and non-farm employment rose 304,000, compared with a revised 103,000 in June. Market forecasts for the rise in the non-farm payroll were about 160,000 to 20,000.

The Bundesbank had intervened modestly at the Frankfurt fixing, but the demand for the dollar on the unemployment news appeared to make the central bank abandon its efforts of the previous two days to hold the US currency below DM 1.8850.

The dollar rose to a peak of DM 1.8915 and closed at DM 1.8895, compared with DM 1.8830. It also advanced to FFr 6.3050 from FFr 6.2750; and to SFr 1.5720 from SFr 1.5625, but moved up only slightly against the Japanese yen to Y151.50 from Y151.35.

On Bank of England figures the dollar's exchange rate index rose to 104.9 from 104.5.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. July average 1.4710. July average 1.6096. Exchange rate index fell 0.1 to 72.0, compared with 68.8 six months ago.

Sterling weakened against a strong dollar, and also lost ground to most other major currencies, as the market gained little encouragement from Thursday's action by the Bank of England to push up UK bank base rates.

Fear that next week's economic data will include another set of poor trade figures, and possible indications of rising inflationary pressure from the producer price index and levels of average earnings, kept the pound nervous.

Sterling fell 90 points to $1.5670-1.5680, the lowest level since early March. The pound also declined to DM2.9625 from DM2.9675; to FFr9.8825 from FFr9.8925; and to Y237.50 from Y238.50, but rose to SFr2.4650 from SFr2.4625.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. July average 1.8480. Exchange rate index 145.5 against 147.4 six months ago.

The D-Mark continued to weaken against the dollar, in spite of modest central bank intervention. At the Frankfurt fixing the Bundesbank sold $10.1m as the dollar eased to DM1.8822 from DM1.8842.

The dollar closed at its highest level since January 12 at DM1.8895, in Frankfurt, compared with DM1.8805 on Thursday, buoyed by better than expected US unemployment data.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. July average 150.25. Exchange rate index 214.1 against 209.6 six months ago.

The yen weakened a little against the dollar in Tokyo yesterday, but the US currency continued to trade quietly within its recent narrow range. Fear of central bank intervention limited demand for the dollar, which advanced to Y151.25 from Y150.85, in a market lacking fresh factors and entering a holiday period.

Future direction of the dollar against the yen may depend on Japanese demand for bonds at the delayed US Treasury quarterly refunding auctions.

£ IN NEW YORK

Aug. 7	Latest	Previous Close
£ Spot	1.5670-1.5680	1.5760-1.5770
1 month	0.32-0.30 pm	0.32-0.30 pm
3 months	0.91-0.87 pm	1.17-1.10 pm
12 months	3.20-3.10 pm	3.75-3.55 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Aug 7	Previous
8.30 am	72.1	72.1
9.00 am	72.1	72.0
10.00 am	72.0	72.0
11.00 am	72.0	72.0
Noon	72.0	72.0
1.00 pm	72.0	72.1
2.00 pm	72.0	72.3
3.00 pm	71.9	72.1
4.00 pm	72.0	72.1

CURRENCY RATES

Aug. 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.79868	0.700655
U.S. Dollar	5.5	1.2509	1.10178
Canadian $	8.75	*	1.46008
Austrian Sch.	4	16.6208	14.5799
Belgian Franc	7¾	49.0562	43.0245
Danish Krone	7	9.00495	7.89701
Deutsche Mark	3.0	2.3639	2.07355
Neth. Guilder	4½	N/A	2.33401
French Franc	9½	7.8872	6.91852
Italian Lira	11.5	N/A	1503.65
Japanese Yen	2½	189.90	166.589
Norway Krone	8	N/A	7.58300
Spanish Peseta	—	"	140.973
Swedish Krona	7½	"	7.22878
Swiss Franc	3.5	"	1.72153
Greek Drach.	20½	"	156.827
Irish Punt	—	"	0.773831

*C$/SDR rate for Aug. 6; 1.66170.

CURRENCY MOVEMENTS

Aug. 7	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.0	−21.5
U.S. Dollar	104.9	−2.8
Canadian Dollar	79.1	−9.7
Austrian Schilling	136.4	+10.1
Belgian Franc	99.2	−4.8
Danish Krone	91.0	+2.0
Deutsche Mark	145.5	+21.1
Swiss Franc	170.3	+21.8
Guilder	133.9	+14.1
French Franc	70.9	−13.2
Lira	46.7	−18.7
Yen	214.1	+54.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Aug. 7	£	$
Argentina	3.1565-3.1695	2.0130-2.0210
Australia	2.2410-2.2440	1.4285-1.4295
Brazil	72.3305-72.7255	46.1410-46.3720
Finland	7.1575-7.1700	4.5670-4.5700
Greece	221.85-225.65	140.85-143.25
Hong Kong	12.2430-12.2525	7.8105-7.8115
Iran	115.65*	72.80*
Korea Sth	1268.85-1280.35	805.20-811.80
Kuwait	0.44710-0.44830	0.28545-0.28595
Luxembourg	61.30-61.40	39.10-39.20
Malaysia	3.9855-3.9900	2.5425-2.5440
Mexico	2268.30-2270.90	1447.00-1448.00
N. Zealand	2.7315-2.7365	1.7405-1.7430
Saudi Ar.	5.8730-5.8780	3.7490-3.7500
Singapore	3.3115-3.3150	2.1125-2.1135
S. Af. (Cm)	3.2455-3.2615	2.0835-2.0875
S. Af. (Fn)	5.1905-5.3680	3.3060-3.4190
Taiwan	47.80-48.05	30.35-30.45
U.A.E.	5.7530-5.7580	3.6725-3.6735

*Selling rate

POUND SPOT—FORWARD AGAINST THE POUND

August 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5650-1.5760	1.5670-1.5680	0.44-0.40c pm	3.22	1.25-1.20 pm	1.85
Canada	2.0744-2.0882	2.0770-2.0780	0.18-0.07c pm	0.72	0.54-0.42 pm	0.92
Netherlands	3.32¾-3.34	3.33-3.34	1⅛-1⅛c pm	4.50	4-3¾pm	4.65
Belgium	61.30-61.55	61.30-61.40	22-15c pm	3.62	60-49 pm	3.55
Denmark	11.24¾-11.29¾	11.28-11.29	¼pm-⅝ore dis	−0.20	1½-2⅞ dis	−0.78
Ireland	1.1044-1.1086	1.1050-1.1060	par-0.10p dis	−0.54	par-0.20 dis	−0.36
W. Germany	2.95½-2.96¾	2.95¾-2.96¾	1⅝-1⅜pf pm	6.08	4⅝-4⅜ pm	5.91
Portugal	229.27-231.67	229.30-230.30	47-105c dis	−3.80	230-321dis	−4.60
Spain	200.95-201.39	200.95-201.25	61-94c dis	−4.62	221-270 dis	−4.88
Italy	2142¾-2148	2147-2148	3-6lire dis	−2.51	8-15 dis	−2.14
Norway	10.77¾-10.84¾	10.80-10.81	3-4⅛ore dis	−3.96	10⅞-12⅛ dis	−4.26
France	9.86-9.88¾	9.87¾-9.88¾	1⅞-1⅜c pm	1.97	4⅞-3½pm	1.99
Sweden	10.29¾-10.34¾	10.32-10.33	1⅛-⅞ ore pm	1.23	2-⅞ pm	0.56
Japan	237-238¾	237-238	1⅝-1⅜ yen pm	6.32	3¾-3½ pm	6.11
Austria	20.76-20.86	20.77-20.80	10⅝-9⅝ gro pm	5.77	29¾-27⅛ pm	5.50
Switzerland	2.45¾-2.47	2.46-2.47	1⅞-1¾ c pm	6.69	3⅞-3¾ pm	6.19

Belgian rate is for convertible francs. Financial franc 61.70-61.80. Six-month forward dollar 2.23-2.18 c pm. 12-month 3.80-3.70 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Aug. 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5650-1.5760	1.5760-1.5680	0.44-0.40c pm	3.22	1.25-1.20 pm	1.85
Ireland†	1.4148-1.4237	1.4150-1.4160	0.30-0.20c pm	2.11	0.92-0.82 pm	2.44
Canada	1.3235-1.3275	1.3255-1.3265	0.24-0.27c dis	−2.31	0.69-0.72 dis	−2.13
Netherlands	2.1170-2.1290	2.1270-2.1280	0.29-0.26c pm	1.56	0.94-0.89pm	1.73
Belgium	39.00-39.25	39.10-39.20	3pm-par	0.46	8-3 pm	0.56
Denmark	7.14½-7.19½	7.19¾-7.20¼	1.25-1.95ore dis	−2.68	4.90-5.60 dis	−2.93
W. Germany	1.8800-1.8915	1.8890-1.8900	0.48-0.45pf pm	2.97	1.47-1.42pm	3.07
Portugal	146¾-147¾	147½-147¾	70-105c dis	−7.14	260-315 dis	−7.82
Spain	127.64-128.55	128.30-128.40	85-105c dis	−8.91	230-260 dis	−7.66
Italy	1362-1370½	1369¾-1370¾	6.00-7.00lire dis	−5.72	16.00-19.00dis	−5.13
Norway	6.86½-6.89½	6.89-6.89½	3.95-4.45ore dis	−7.33	11.90-12.40dis	−7.07
France	6.27-6.30¾	6.30¾-6.30¾	0.55-0.65c dis	−1.15	2.05-2.35 dis	−1.40
Sweden	6.55-6.59	6.58½-6.59	0.90-1.25ore dis	−1.97	3.50-3.90 dis	−2.26
Japan	150.95-151.60	151.45-151.55	0.43-0.40y pm	3.30	1.18-1.13 pm	3.06
Austria	13.22¾-13.25½	13.25-13.25½	3.10-2.70gro pm	2.63	9.00-8.00 pm	2.57
Switzerland	1.5610-1.5735	1.5715-1.5725	0.47-0.42c pm	3.42	1.30-1.25 pm	3.27

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.35-39.45. Correction for August 6, W.Germany close 1.8825-1.8835.

EURO-CURRENCY INTEREST RATES

Aug. 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9-8½	9¼-9	10-9⅞	10⅛-10⅛	10⅝-10¼	10⅜-10⅛
U.S. Dollar	6⅛-6⅛	6⅝-6½	6¾-6⅝	7⅛-6¹⁵⁄₁₆	7⅛-7⅛	7¾-7⅝
Can. Dollar	8¾-8½	8¾-8½	8⅞-8⅝	9¼-8⅞	9½-9¼	9⅞-9⅝
D. Guilder	5⅛-5⅛	5¼-5⅛	5¼-5⅛	5⅜-5¼	5⅛-5⅛	5½-5⅜
Sw. Franc	2-1⅞	2⅞-2⅝	3⅛-3⅛	3¹¹⁄₁₆-3¹¹⁄₁₆	4-3⅞	4⅛-3¹⁵⁄₁₆
Deutschmark	3⅝-3½	3⅝-3⅝	3⅛-3⅝	4-3⅞	4⅛-4⅛	4⅛-4⅛
Fr. Franc	7⅝-7½	7¹⁵⁄₁₆-7¹³⁄₁₆	7¹⁵⁄₁₆-7¹³⁄₁₆	8⅛-8⅛	8¾-8⅝	9¼-9⅛
Italian Lira	13-11	13-11	12¾-12¼	12¾-12¼	12⅞-11⅞	12⅛-11⅞
B. Fr. (Fin.)	6¼-6	6½-6¼	6½-6¼	6⅝-6½	6¹⁵⁄₁₆-6¹³⁄₁₆	7⅛-7⅛
B. Fr. (Con.)	6¼-6	6½-6¼	6½-6¼	6¾-6½	7-6¾	7¼-7
Yen	3½-3⅜	3⅝-3⅛	3¹¹⁄₁₆-3⅝	4⅛-4	4¼-4⅛	4⅛-4⅛
D. Krone	9⅞-9¼	9½-9	10½-10	10¾-10¾	11¼-10¾	11¼-10¾
Asian $Sing.	4½-4⅜	N/A	4⅛-3¹⁵⁄₁₆	4⅛-4⅛	4⅛-4⅛	4⅝-4⅜

Long-term Eurodollars: Two years 8⅛-8⅛ per cent; three years 8⅞-8⅝ per cent; four years 9¼-8⅞ per cent; five years 9¼-9 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug. 7	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.568	2.963	237.5	9.883	2.465	3.335	2148.	2.078	61.35
$	0.638	1.	1.890	151.5	6.305	1.572	2.128	1370.	1.325	39.15
DM	0.338	0.529	1.	80.17	3.336	0.832	1.126	724.9	0.701	20.71
YEN	4.211	6.600	12.47	1000.	41.61	10.38	14.04	9042.	8.747	258.3
F Fr.	1.012	1.586	2.998	240.3	10.	2.494	3.375	2173.	2.102	62.08
S Fr.	0.406	0.636	1.202	96.35	4.009	1.	1.353	871.2	0.843	24.89
H Fl.	0.300	0.470	0.888	71.21	2.963	0.739	1.	643.9	0.623	18.40
Lira	0.466	0.730	1.380	110.6	4.602	1.148	1.553	1000.	0.967	28.57
C $	0.481	0.755	1.426	114.3	4.757	1.187	1.605	1034.	1.	29.53
B Fr.	1.630	2.555	4.829	387.1	16.11	4.018	5.436	3500.	3.386	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

Nervous on fears of bad data

INTEREST RATES eased slightly at the short end of the London money market yesterday, as the immediate shock of Thursday's base rate move faded, and day-to-day credit was on comfortable supply.

Three-month interbank remained firm, however, rising to 10¼-10⅛ per cent from 10⅛-10 per cent, as dealers waited to see whether fears of bad UK economic data are fulfilled next week.

At the weekly Treasury bill tender the average rate of discount rose 0.8297 per cent to 9.7668 per cent, as a result of this week's rise in bank base rates. The £300m bills on offer attracted bids of £1,104m, compared with £1,016m for a similar number of bills the previous week. All bills offered were allotted. The minimum accepted bid was £97.56, against £97.77 previously, and bids at that level were met as to about 42 per cent, and above in full, compared with 98 per cent.

UK clearing bank base lending rate 10 per cent since August 7

The Bank of England initially forecast a money market shortage of £200m, but revised this to £100m at noon. The authorities did not operate in the market before lunch, but in the afternoon bought £16m bank bills in band 4 at 9⅞ per cent.

A rise in the note circulation drained £305m. This outweighed bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills adding £24m to liquidity and Exchequer transactions of £90m, with payment of block grant to local authorities of £157m included in this figure.

In Frankfurt call money was unchanged at 3.60 per cent, as West German banks remained well supplied with liquidity. Banks, reserve holdings at the Bundesbank fall to DM55.5bn on Wednesday, from DM63.3bn on Tuesday. This was because the central bank allocated only DM 5.3bn at this week's securities repurchase agreement tender, against maturities of DM12.4bn.

But banks average reserve holdings for the first five days of August were DM8.3bn, against an expected required average of around DM52bn.

The Bundesbank is likely to hold another securities repurchase agreement tender next week, but is expected to further drain liquidity by allocating less than the DM11bn flowing out of the market, as an earlier agreement expires.

Market conditons could also tighten as banks make tax payments on behalf of customers.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 6) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 ¹³⁄₁₆	offer 7 ¹⁄₁₆	bid 7 ³⁄₁₆	offer 7 ⁵⁄₁₆

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

August 7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.55-3.65	3.75-3.90	3.75-3.90	3.85-4.00	3.95-4.15	5.0
Paris	7½-7⅝	7⅝-7¾	7¾-7⅞	7⅞-8	8¼-8⅜	7½
Zurich	⅞-1⅛	3⅛-3⅜	—	3½-3¾	—	—
Amsterdam	5⅛-5⅛	5⅛-5⅛	—	5⅛-5⅛	—	—
Tokyo	3.21875	3.59375	—	3.71875	—	—
Milan	10⅞-11⅛	11⅛-11⅞	—	11½-12	—	—
Brussels	5.40	6⅛-6½	—	6½-6⅝	—	—
Dublin	9¼-9¾	9¾-10	10-10	10¼-10½	10⅝-10⅞	—

LONDON MONEY RATES

Aug. 7	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8¾-6¾	9-8¾	9⅞-9⅝	10¼-10⅛	10⅜-10⅜	10⅜-10⅜
Sterling CDs.	—	—	9¾-9⅝	10⅛-10⅛	10¼-10⅛	10⅜-10⅜
Local Auth'rity Deps.	8¾	9	9⅞	10⅛	10¼	10⅜
Local Authority Bonds	—	—	9⅞	10⅛	10¼	10⅜
Discount Mkt Deps.	8½-6¾	8½-8	9½	9¾	—	—
Company Deposits	9-8¾	9½-9¾	9¹³⁄₁₆-9⅞	10¼	10⅜	10⅜
Finance House Deposits	—	—	9⅞	10¼	10¼	10½
Treasury Bills (Buy)	—	—	9⅝	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10¼	10½	10¼	—
Dollar CDs	—	—	6.85-6.80	6.95-6.90	7.20-7.15	7.80-7.75
SDR Linked Deposits	—	—	6-5¾	6⅛-6⅛	6½-6¼	6⅞-6⅝
ECU Linked Deposits	—	—	6¹³⁄₁₆-6¹¹⁄₁₆	7⅛-6¹⁵⁄₁₆	7⅛-7⅛	7⅛-7⅛

Treasury Bills (sell): one-month 9½ per cent; three-months 9¹¹⁄₁₆ per cent; Bank Bills (sell): one-month 9½ per cent; three months 9¹¹⁄₁₆ per cent; Treasury Bills; Average tender rate of discount 9.7668 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1987. Agreed rates for period August 26 to September 22 1987, Scheme I: 10.59 p.c., Schemes II & III: 10.49 p.c. Reference rate for period July 1 to July 31, 1987, Scheme IV: 9.238 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ per cent from August 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¾ per cent; three-six months 9 per cent; six-nine months 9⅛ per cent; nine-12 months 9¼ per cent; Under £100,000 8 per cent from July 16, Deposits withdrawn for cash 5 per cent.

LONDON STOCK EXCHANGE

Record weekly fall in equity indices

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
July 27	Aug 6	Aug 7	Aug 17
Aug 10	Aug 20	Aug 21	Sept 1
Aug 24	Sept 10	Sept 11	Sept 21

* New time dealings may take place from 9.00 am two business days earlier.

The London stock market took a further severe loss yesterday as the City grew increasingly apprehensive ahead of the announcement on Tuesday of the delayed UK trade figures for June. A further £7bn was wiped off equity values, according to Datastream, bringing the loss on the past two trading sessions to nearly £17bn.

In addition, the market had to cope with a temporary shutdown in the reporting system which prevented market makers from updating their prices for about an hour.

Against this background, the Government bond sector turned in a bright performance, with bond prices finally close to overnight levels after some modest retail buying enabled long-dated issues to rally from early losses.

The FT-SE 100 index closed a net 35.2 points down at 2226.2, with the FT Ordinary Index 27.2 off at 1726.9. But early trading, when unit trust sellers appeared, saw the FT-SE index fall by a net 65 points.

Once the early sellers had completed their business, volume fell away as market makers ought to avoid the pressure by keeping their prices below the range of "best trading range" as shown on the SEAQ screens. Some brokers complained of difficulty in reaching marketmakers by telephone.

An attempted rally after 3.30 pm, when the new trading account opened, failed to convince the traders who went home for the weekend in a somewhat sombre mood.

Weakness in the oil stocks reflected increasingly bearish comment from London brokers, who believe that the rise in oil prices may prove short-lived. But every sector of the market suffered in what was clearly a sell-off by institutions and the market traders.

A few bright spots were to be seen, however, Salomon, the US house, confirmed that it was the determined buyer of Glaxo and Fisons shares. It believes that these two stocks are relatively interest rate insensitive.

Also firm against the trend was Imperial Chemical Industries, which has returned to favour with US and UK funds. Unilever, too, stood out well.

Government bonds were ¾ points off at mid-session but rallied later as some retail buyers appeared in the market. Some trading houses suggested that the sector may be bottoming out, although little recovery is likely until the UK trade figures are safely out of the way.

The increasing strain on the resources of UK underwriters, emphasised strongly in the financial press yesterday, guaranteed further weakness throughout the banking sector. The clearers were not too badly affected, generally showing losses of single figures, but many issuing houses recorded double-figure falls with Rea Bros wilting to end 11 down at 135p. Kleinwort Benson came down 14 to 552p and Mercury 16 to 440p. Discount Houses made no response to the late rally of Gilt-edged stocks, and closed with further declines. Cater Allen settled 12 lower at 378p and Gerrard & National lost 13 at 333p. Other Financials suffered, First National Finance dropping 12½ more to 280½ and Moorgate Mercantile 9 to 90p.

Composite Insurances steadied as Life issues resumed their retreat. Business was generally one-way and it brought particular dullness in Abbey Life, another 36½ lower at 270½p, and Prudential, 42½ off at 870p. Falls of 13 and more occurred in Equity and Law, 307p, and in recently-firm Pearl, at 369p.

One of the rare bright corners was provided by Third Market newcomer J. Gardner. A designer and manufacturer of components for the heating and ventilating industry, the company's shares were placed recently at 50p each by Fiske & Co. Given the depressed state of markets yesterday, first-time dealing brought a reasonable interest and the shares closed showing a healthy premium at57p.

Breweries led consumer sectors lower with further double-figure losses commonplace. Dealers, however, reported that turnover was much improved from recently depressed levels with a useful two-way business developing in selected stocks. Allied-Lyons were particularly lively—around 8m shares changed hands—and recovered from 397p to close a couple of pence to the good on balance at 408½p. Over a million shares were trade in Bass which dipped to 877p at one stage before settling a net 18 cheaper at 895p. Scottish and Newcastle dipped 12½ more to 301½p.

Building shares remained sensitive to offerings in the wake of the increase in interest rates and recorded furthr widespread and substantial losses. Housebuilders were particularly depressed with Anuglia Secured Homes reacting 38 to 405p. Falls of around 20 were recorded in McCarthy and Stone, 515p, and Countryside, 290p. Elsewhere in the sector, BPB gave up 20 to 362p and Blue Circle lost 8 more to 465p. Costain, a recent takeover favourite, reacted afresh to 333p, before settling only 2 lower on the day at 349p.

ICI, helped to a certain extent by currency influences, closed a shade better at £15¼.

Top-quality Electrical issues were mauled along with numerous stocks in th high-technology area. Thorn EMI tumbled 33 to 650p and several othr leaders dropped 10 or more. STC were looking demoralised at the end of a week which has seen the price fall 51 to 286p despite interim figures slightly better than many predictions. BT merited attention, easing only a penny to 278p on a volume of 17m shares traded; marketmakers again experienced widespread demand, emanating from the US, Japan and domestic institutional sources. Amstrad remained out of favour, ending 4 down at 151p, after 147p, while sharp losses of 15 and more were seen in Electronic House, 161p, Arlen, 178p, Britannia Security, 180p, and Crystalate, 247p. Pitted against the gloomy backcloth, Security Tag Systems rose 14 to 206p and MBS rallied 8 to 153p.

Fresh concern of a squeeze on consumer credit unsettled sentiment afresh in leading high street Retailers. Dixons, 337p, and Next, 324p, were particularly hard hit, while Burton dipped another 6 to 298p. Initial attention, however was once again directed to Storehouse which encountered yet anothr volatile session with 18m shares changing hands. A cautious circular from Wood Mackenzie, did the early damage and the shares fell to 343p as the securities house reckoned that the falling market had killed any chance of a takeover in the foreseeable future. Wood Mac advised clients to sell the stock down to "at least" 340p. Nevertheless, the midday rally put some heart back into Storehouse which recovered to close at 357p—down 16 on the session. Woolworth, still regarded as the most likely suitor, performed rather well, settling a penny up at 307p.

Second-line Stores gave ground across the board, market conditions precluding interest from speculative sources which were clearly content to withdraw to the sidelines. Martin Ford, 213p, and Amber Day, 97p, both strongly supported in recent weeks, were leading casualties—falling 14 and 4 respectively.

Davies and Metcalfe, up 4 at 80p, in response to the sharp recovery in half-year profits, provided one of the few bright spots in the Engineering sector. Press Tools, a strong market earlier in the week, encountered profit-taking and reacted sharply to close 30 lower at 365p. Mr G. Hutchings of F. H. Tomkins has acquired a 32.7 per cent stake in PT which he plans to turn into an acquisitive holding company. Other noteworthy losses included Downiebrae, 20 off at 138p, GM Firth, 12 lower at 116p, and Camford, 9 cheaper at 177p. Acquisition news failed to help Senior Engineering which eased 3 to 65p. TI, however, ended a shade firmer at 382p, after 385p, following a generally favourable Press response to the interim figures.

Foods, a relatively steady sector on Thursday, finally succumbed to the general malaise. Rowntree, interim results expected early next month, fell 21 to 532p, while sizeable falls were also noted for Booker, 444p and Cadbury Schweppes, 252p. Other confectionery and soft drink concerns also gave ground, as investors clearly regarded the industry as extremely vulnerable to any imposed limits on consumer expenditure. Bassett gave up 7 to 265p, Bensons Crisps fell 10 to 95p, and Barker and Dobson dipped 12 to 209p. RHM closed 10 lower at 315p; Wood Mackenzie, the securities house, still regards the shares as a "buy", however, and expect a takeover attempt from Goodman Fielder in the near future, seeing the New Zealand Commerce commission's clearance of the merger between Goodman and Wattie as "an essential precursor to a bid for RHM" and that the shares offer "good defensive value" in current market conditions.

As on Thursday, Food Retailers traded within narrow limits and usually held close to overnight positions. Argyll Group were 2 up at 424p following news of the proposed 100 per cent scrip issue.

Apart from another sharp reaction of 16 to 817p in Pilkington and a further fall of 15 to 300p in BTR, losses in the miscellaneous industrial leaders were fairly modest. Hanson, which announced an offer earlier in the week for Kidde, the US industrial group, were again actively traded (around 26m shares changed hands) before settling 4 lower on the day at 180p. Unilever, in contrast, resisted the trend, closing a few pence better at 664p in the wake of its successful bid for the Cambridge based Plant Breeding Institution and its associated National Seed Development Organisation.

Blue Arrow remained on offer and dipped 12 more to 828p leaving the price 2 below the level at which shares will be offered under the rights issue which is conditional on the success of the bid for Manpower. Cookson, down 17 at 727p, failed to benefit from news that the company is acquiring 49 per cent of the issued share capital of Affinity Metals Proprietary based in Melbourne, Australia. Renewed selling pressure left Charles Baynes 7 cheaper at 120p. Rank Organisation were particularly weak at 706p, down 19, while fresh offering left Williams Holdings 23 lower at 852p. NMC dipped 20 to 220p, the company recently announced the acquisition of two specialist labelling companies and the placing of 636,000 shares at 237p per share. Against the trend, Amari edged up 4½ to 211½ as Suter further increased its stake in the company to just over 17 per cent.

Newspaper and Printing counters became entangled in the market weakness. BPCC were frequently traded and lost 13 to 322p awaiting fresh moves in the Elsevier situation. After Thursday's purchase of a sharestake, Mr Robert Maxwell is expected to meet the chairman of Elsevier in London next week. Bunzl gave up 16 at 232p and DRG reacted 15 to 425p but Gibbons Lyons moved higher on a press recommendation to close 20 dearer at 180p. Worst affected among Newspapers was United, down 38 at 473p. Advertising Agencies were troubled by the failure of the WPP rights issue and all lost ground. WPP slipped further to close at 780p, down 40.

High-flying Property stocks wilted as investors became even more nervous and realised their often large profits. Heavy losses were recorded by numerous stocks, the list being too long to mention all. Those to show falls of between 20 and 40 plus included Egerton Trust, 263p, Property Partnerships, 238p, and Randsworth Trust, 218p. Local London retreated 60 to 780p. Leading issues also came under pressure and MEPC reacted 8 further to 499p and Land Securities shed 8 to 528p. Few resisted the trend but British Land was an isolated instance, rebounding 24 to 327p on a resurgence on bid speculation.

Shipping casualties took in P & O, 15 cheaper at 678p, and secondary counters, Common Bros, 8 off at 63p, and Mersey Dock Units 14 easier at 145p.

Speculation of a bid approach aroused demand for Tootal, up 4½ at 137p, and SEET (171p) recovered part of Thursday's loss which followed the annual figures. Elswhere, the trend was lower and Courtaulds settled 10 easier at 456p, while R. Smallshaw were marked down 18 to 132p.

British & Commonwealth wasted no time in raising its offer for Mercantile House. The offer was recommended by the latter's board and this caused Quadrex to withdraw its bid. B & C ended 20 down at 499p, while Mercantile House finished unchanged at 362, after 388p.

The continuing decline in crude prices coupled with fears of OPEC over-production took its toll on the Oil share market. However, after a sharp initial reaction quotations rallied to close well above the day's worst. British Petroleum settled 11 cheaper at 373p, after falling to around 364p at one stage. Britoil ended 13 lower at 311p and Enterprise 16½ down at 297p.

Sellers also held sway in Overseas Traders where leading counters displayed some sizeable losses. Some dealers attributed the sector's poor performance to investors realising recent profits in such stocks as Lonrho and Inchcape to meet commitments elsewhere. Lonrho closed 10 lower at 297½p; the shares will be quoted ex-the 4p dividend from Monday. Inchcape, 743p, and Harrisons and Crosfield, 632p, fell 41 and 30 respectively. A rare steady spot was provided by Tozer Kemsley and Millbourn which shed only a penny at 132p with some 2m shares traded largely reflecting the efforts of a single buyer.

FINANCIAL TIMES STOCK INDICES

	Aug. 7	Aug. 6	Aug. 5	Aug. 4	Aug. 3	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.94	86.42	87.70	87.44	87.32	88.86	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.26	96.49	96.24	96.38	96.34	95.77	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1726.9	1754.1	1796.6	1788.6	1815.1	1217.4	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	462.4	468.5	480.7	497.5	489.6	202.9	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.34	3.30	3.23	3.22	3.17	4.51				
Earnings Yld.%(full)	8.29	8.18	8.01	7.92	7.82	10.93				
P/E Ratio (net) (*)	14.79	14.99	15.31	15.52	15.73	11.15				
SEAQ Bargains (5 pm)	57,422	48,611	41,924	53,664	60,382	—				
Equity Turnover (£m)	—	2336.74	1890.08	2005.51†	1661.06	633.34				
Equity Bargains	—	55,564	54,999	66,532	69,841	22,264				
Shares Traded (ml)	—	763.5	582.0	706.1	755.6	302.5				

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1732.4	1728.7	1704.6	1716.0	1731.0	1719.4	1719.5	1725.4

Day's High 1732.7 Day's Low 1704.6. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.53 † Corrected figs.

S.E. ACTIVITY

Indices	Aug. 6	Aug. 5
Gilt Edged Bargains	139.1	132.4
Equity Bargains	360.0	356.4
Equity Value	4723.2	3820.3
5-Day Average		
Gilt Edged Bargains	129.8	126.9
Equity Bargains	396.7	408.4
Equity Value	3945.1	3864.5

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Traded Options

Traded option operators continued to display marked enthusiasm for positions in the FT-SE 100 index contract: 4,479 calls and 7,154 puts were transacted, 1,835 of the latter being struck in the understandably popular August 2,200 series. Of the so-called "privatisation" stocks, British Gas attracted the largest business with 2,075 calls and 2,867 puts traded, while dealers also reported above-average turnover in Rolls-Royce and Racal which contributed 2,534 and 2,400 calls respectively. Total contracts traded amounted to 57,681.

Traditional Options

- First dealings July 20
- Last dealings July 31
- Last declaration Oct 22
- For Settlement Nov 2

For rate indications see end of London Share Service

Stocks to attract money for the call included Grainger Trust, Stakis, Unigate, Amstrad, Petrocon, Hampton Trust, Dee Corporation, Storehouse, Abaco, Kellock, Astra Holdings, United Biscuit, Bejam, Rolls-Royce, Norfolk Capital, Cluff Oil, Eagle Trust, Rexmore, Dares Estates, STC, E.T. Sutherland, Norton Opax, and BBA. Puts were arranged in Central and Sheerwood, Woolworth, Ossory, Rotoprint, Suter, ASDA-MFI, Marling Industries, Control Securities, C. Baynes and Property Trust, while Amstrad and C. Baynes were dealt in for the double.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*401)	390	32	40	—	13	18	—
	420	18	30	38	30	35	37
	460	5	13	25	62	67	70
Brit. & Comm. (*499)	500	30	48	63	25	33	38
	550	13	25	38	60	63	68
	600	4	10	22	103	105	107
Brit. Airways and further options (British Gas, B.P., Britoil, Cons. Gold, Courtaulds, Com. Union, Cable & Wire, G.E.C., Grand Met., I.C.I., Land Securities, Marks & Spen., Rolls-Royce, Shell Trans., Trafalgar House, TSB, Woolworth, Bass, GKN, Jaguar, Barclays, Midland Bk, BAA, Brit Aero, BAT Inds, Brit. Telecom, Cadbury Schweppes)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*330)	330	15	27	40	5	17	22
	360	3	17	25	27	33	40
	390	2	10	15	57	60	62
Ladbroke (*421)	403	23	38	—	2½	15	—
	420	—	—	40	—	—	25
	445	4	20	—	25	35	—
	460	1	12	24	43	50	53
LASMO and further options (P. & O., Plessey, Prudential, Racal, R.T.Z., Vaal Reefs, Tr. 11¾% 1991, Tr. 11¾% 03/07, Amstrad, Beecham, Boots, BTR, Blue Circle, De Beers, Glaxo, Hanson, Lonrho, Sears, Tesco, Thorn EMI, Trusthouse Forte, FT-SE Index (*2222))	300	47	57	60	1½	9	12
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

August 7. Total Contracts 57,681. Calls 27,895. Puts 29,786. FT-SE Index Calls 4,479. Puts 7,154. *Underlying security price.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (60)

AMERICANS (14), CANADIANS (3), BANKS (2), BUILDINGS (1), CHEMICALS (2), STORES (2), ELECTRICALS (6), ENGINEERING (3), INDUSTRIALS (4), PAPERS (2), TRUSTS (9), OILS (2), PLANTATIONS (1), MINES (7).

NEW LOWS (33)

BRITISH FUNDS (8) Treas 8pc 1991 (£20 pd), Treas 8pc 1992, Treas 3pc 1992, Treas 2½pc IL 2009, Do. 2½pc IL 2011, Do. 2½pc IL 2013, Do. 2½pc IL 2016 (£60 pd), Do. 2½pc IL 2020, LOANS (6) N'wide 11¼pc 26.10.87, Do. 9¹¹⁄₁₆pc 11.4.88, Do. 8⅞pc 23.5.88, Do. 8¹¹⁄₁₆pc 20.6.88, Do. 9⅝pc 11.7.88, Do.3⅞pc IL Ln 2021, STORES (1), Cantors, ELECTRICALS (4) ITL Information Technology, Oxford Instruments, Pericom, UCL Group, INDUSTRIALS (2) Airship Inds, Hawtal Whiting, INSURANCES (2) Bryant (Derek), Equity & Law, PROPERTY (1) Land Securities 10pc 1st Mt Deb 2025, SHIPPING (1) P & O Sub Warrants 1988-92, TRUSTS (6) Fundinvest Inc, Gartmore European, German Smaller Invs, Paribas French Inv Tst, River & Merc Stepped Pref, Hambros Adv Tech Tst, THIRD MARKET (2) Chelsea Artisans, Comac Group.

LONDON STOCK EXCHANGE

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ♦ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

Corporation and County Stocks
No. of bargains included 2

Greater London Council 6¾% Stk 90/92 – £92

Aberdeen (City of) 10.80% Red Stk 2011 – £104 (31Jy87)

Birmingham Corp 2½% Stk 1926(or after) – £22 (5Au87)

Birmingham District Council 11½% Red Stk 2012 – £108¾ (4Au87)

Manchester Corp 1891 3% Red Stk 1941(or after) – £25 (31Jy87)

Salford Corp 5½% Red Stk 86/88 – £95¾ ½ (5Au87)

UK Public Boards
No. of bargains included 3

Agricultural Mortgage Corp PLC 6¾% Deb Stk 92/94 – £79 82½ (31Jy87)

6¾% Deb Stk 85/90 – £89¾ (4Au87)

7¼% Deb Stk 91/93 – £90¾

9¼% Deb Stk 85/87 – £98 (3Au87)

10¼% Deb Stk 92/95 – £99♦

Foreign Stocks, Bonds, etc—(coupons payable in London)

Sterling Issues by Overseas Borrowers

Banks and Discount Companies
No. of bargains included 2072

Bank of Ireland(Governor & Co of) 7% Ln Stk 86/91 – £92 6 ½ (31Jy87)

Bank of Wales PLC 13½% Subord Uns Ln Stk 95/97 – £115 (31Jy87)

Barclays Bank PLC 7½% Uns Cap Ln Stk 86/91 – £90 ¼ (5Au87)

8¾% Uns Cap Ln Stk 88/93 – £93 ¾ 4

12% Uns Cap Ln Stk 2010 – £108¾ 9¾

16% Uns Cap Ln Stk 2002/07 – £141½ (5Au87)

Barings PLC 8% Cum 1st Prf £1 – 105 (31Jy87)

8% Cum 2nd Prf £1 – 105¼♦

Commerzbank AG Cdbr(Ies Warburg) DM10 – DM294¾ (5Au87)

Hill Samuel Group PLC 8% Uns Ln Stk 89/94 – £93♦

Mercury International Group PLC 7¾% Cum Prf £1 – 100¾

Midland Bank PLC 7½% Subord Uns Ln Stk 83/93 – £89½ (4Au87)

10¾% Subord Uns Ln Stk 93/98 – £100¾

Breweries and Distilleries

Commercial, Industrial, etc

Blackwood Hodge PLC… – £92 (5Au87)

Blue Circle Industries… – £93 (5Au87)

Registered Housing Associations

Financial Trusts, Land, etc

Insurance

Investment Trusts

Unit Trusts

Mines – Miscellaneous

Mines – South African

Oil

Property

Plantations

Railways

Shipping

Utilities

Water Works

USM Appendix

Shelton (Martin) Group PLC Ord 10p – 79 80

Sigmex International PLC Ord 10p – 90 1

Splash Products PLC Ord 10p – 95 (5Au87)

Swindon Private Hospital PLC Ord £1 – 180 (31Jy87)

Tuskar Resources PLC Ord Ir£0.05 – I£0.41 I£0.44 I£0.45 p 32 4 5 6 8‡ ½‡ 7 8 ½‡ 40 1 ½ 2 2‡

The Third Market Appendix
No. of bargains included 177

Amercoeur Energy PLC Ord 10p – 65 7

Comac Group PLC New Ord 5p (Fp/LA-14/8/87) – 163

Honorbet Group PLC New Ord 5p (Fp/LA-11/9/87) – 31 ½ 2 3 ½

Lynx Technology PLC Ord 5p – 70♦ 80♦

Medrace PLC Ord 10p – 115 20 2 30

Warrants to sub for Ord – £0.82 (5Au87)

UPL Group PLC New Ord 10p (Fp/LA-18/9/87) – 141 2

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Abitibi-Price £16.6♦ (31/7)

Acmex Holdings 2.45 (4/8)

Acorn Securities 125♦ 8♦ 130♦ 2♦ 3♦ 4♦ A$3.0♦ 122 3 4 5 6 7 8 9 130 5

American Barrick Resources Corp $21⅛♦

Ames Department Stores $27.889♦

Ampol Exploration 145

Amsterdam-Rotterdam Bank $40¾ ½

Bamboo Gold Mines 10 (3/8)

Banner Inds $23⅞ 24.01 (31/7)

Beverly Enterprises £8⅞

Black Hill Minerals 15 17 (3/8)

Bukit Sembawang 60 (3/8)

C.S.F. (Thomson-C.S.F.) Fr1335♦ 1300 05 (5/8)

Central Norseman Gold A$3.25♦ 1.40♦ 2♦ A$3.15 .226 .25 .26

Churchill Resources 30 (5/8)

City Developments S$5.1 (3/8)

Conex Aust 6½♦ 5

Cons. Resources 2½♦ (5/8)

Daicel Chemical Industries Y756½ (5/8)

Development Bank of Singapore 505 $7.99 S$16.2 .227 .517 16.7 16.884

Devex A$1.35

Du Pont (E.I.) De Nemours £81⅝♦ $126⅞♦ (5/8)

Eastcourt 20♦ (31/7)

Faber Merlin Malaysia 27.518♦ (5/8)

Far East Hotel & Entertainment 9 (4/8)

Fraser & Neave $5.7 5.83 (4/8)

Generale Occidentale Fr1130.64 (4/8)

Golconda Minerals 60 2

Golden Valley Mines 33

Grants Patch Mining A$0.594 .6

Great Eastern Mines 7♦ (5/8)

Greenbushes Tin 46 (4/8)

Hang Lung Development HK$16.1 .2 .3

HK-TVB $16.4 (5/8)

Hooker Corp A$4.05 .10 (5/8)

Hysan Development $H1.311 (5/8)

Int Mining 13♦ (5/8)

Invincible Gold nl Ord A$0.30 (A$0.20) 31♦ 3♦ 7♦ 31

Jardine Securities 107 110

Jones Mining ($A0.20) 43

Kalgoorlie Resources A$0.29

Keystone International $22⅞♦ 23♦

Kulim Malaysia Ord 47 (3/8)

Loral Corp $44⅛ (5/8)

Malaysian Airline System M$6.2♦ 6.3♦ (31/7)

Continued on page 14

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY AUGUST 6 1987					WEDNESDAY AUGUST 5 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	154.20	−0.1	145.02	146.51	2.49	154.41	144.98	146.34	154.41	99.92	73.64
Austria (16)	96.13	−0.4	90.40	93.82	2.20	96.47	90.58	94.19	101.62	85.53	90.63
Belgium (48)	126.39	+0.2	118.86	122.34	3.92	126.17	118.47	121.97	133.44	96.19	86.64
Canada (132)	139.41	+0.2	131.11	133.61	2.12	139.19	130.69	133.60	139.85	100.00	97.41
Denmark (39)	113.42	−0.2	106.66	110.25	2.52	113.62	106.68	110.22	124.10	98.18	96.17
France (121)	105.64	+0.3	99.35	103.99	2.73	105.29	98.86	103.27	121.82	98.39	90.75
West Germany (92)	101.28	+0.5	95.25	99.15	1.91	100.77	94.62	98.36	101.28	84.00	86.11
Hong Kong (45)	140.42	−0.3	132.06	140.79	2.59	140.90	132.30	141.27	141.57	96.89	76.70
Ireland (14)	134.92	−1.7	126.88	133.55	3.37	137.22	128.84	135.49	145.41	99.50	88.74
Italy (76)	91.94	−1.1	86.46	93.69	1.95	92.94	87.26	94.36	112.11	91.94	96.38
Japan (458)	134.67	+0.8	126.65	128.84	0.53	133.58	125.42	127.25	161.28	100.00	92.12
Malaysia (36)	189.84	+1.6	178.53	186.00	2.01	186.86	175.45	183.10	189.84	98.24	81.72
Mexico (14)	294.37	−0.2	276.83	461.69	0.65	295.02	277.01	463.69	309.34	99.72	61.60
Netherland (38)	127.81	−0.4	120.20	123.64	3.58	128.35	120.52	123.84	128.35	99.65	93.80
New Zealand (26)	112.33	+0.0	105.64	104.15	2.86	112.38	105.51	103.94	112.38	83.93	72.15
Norway (24)	162.57	+0.5	152.89	151.54	1.80	161.81	151.93	150.44	162.57	100.00	93.30
Singapore (27)	168.62	+1.8	158.57	164.15	1.51	165.71	155.59	161.24	168.62	99.29	81.42
South Africa (61)	188.60	−2.7	177.36	137.44	3.11	193.75	181.92	136.63	198.09	100.00	69.06
Spain (43)	138.23	−1.7	130.00	133.78	2.96	140.68	132.09	135.93	144.48	100.00	89.33
Sweden (33)	122.00	+0.4	114.74	118.48	1.96	121.53	114.11	117.80	124.68	90.85	94.90
Switzerland (53)	104.44	+1.3	98.22	101.17	1.64	103.07	96.78	99.49	104.91	92.01	83.73
United Kingdom (335)	145.74	−2.5	137.05	137.05	3.20	149.41	140.29	140.29	162.87	99.65	91.23
USA (590)	131.32	+1.3	123.50	131.32	2.78	129.67	121.75	129.67	131.32	100.00	98.91
Europe (932)	122.07	−1.1	114.80	117.55	2.78	123.47	115.93	118.63	128.35	99.78	90.24
Pacific Basin (686)	135.58	+0.7	127.51	129.83	0.68	134.58	126.36	128.35	158.77	100.00	90.87
Euro—Pacific (1618)	130.23	+0.0	122.48	124.94	1.47	130.19	122.24	124.47	143.65	100.00	90.63
North America (722)	131.75	+1.2	123.90	131.47	2.75	130.18	122.23	129.92	131.75	100.00	98.83
Europe Ex. UK (597)	*107.39*	+0.0	*100.99*	*105.48*	2.42	*107.37*	*100.82*	*105.16*	*108.64*	98.02	89.67
Pacific Ex. Japan (228)	146.78	+0.0	138.04	141.83	2.47	146.83	137.86	141.67	146.83	99.92	75.25
World Ex. US (1825)	131.29	+0.0	123.47	125.64	1.52	131.30	123.28	125.18	143.38	100.00	90.61
World Ex. UK (2080)	129.85	+0.8	122.11	127.00	1.88	128.79	120.93	125.67	133.61	100.00	94.10
World Ex. So. Af. (2354)	130.89	+0.5	123.09	127.81	2.00	130.21	122.26	126.90	135.02	100.00	93.99
World Ex. Japan (1957)	129.65	+0.3	121.93	127.44	2.75	129.24	121.35	126.88	130.00	100.00	94.67
The World Index (2415)	131.26	+0.5	123.44	127.92	2.01	130.62	122.64	127.02	135.15	100.00	93.84

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$460	46	8.50	17	30	211	38.50	$464.30
GOLD C	$480	106	3.50A	214	18	11	28	"
GOLD C	$500	58	1.40	591	13	—	—	"
GOLD C	$520	3	0.50	188	8	2	16.50	"
GOLD P	$420	—	—	132	3.40A	—	—	"
GOLD P	$440	60	1	2	6.50	—	—	"
GOLD P	$460	44	6.20	5	14	—	—	"
		Aug 87		Sep 87		Oct 87		
S/FL. C	FL.205	3	7	23	7.50	—	—	FL.212.60
S/FL. C	FL.210	21	2.80	40	4.20	—	—	"
S/FL. C	FL.215	70	0.60B	9	1.80	14	2.70	"
S/FL. P	FL.205	4	0.4	—	—	40	1.40	"
S/FL. P	FL.210	10	0.80	27	2	2	3.10A	"
S/FL. P	FL.215	—	—	50	4.30	5	5.70A	"
		Dec 87		Mar 88		Jun 88		
S/FL. C	FL.200	90	12.50	19	12.20B	10	13.20	FL.212.60
S/FL. C	FL.205	32	8.50	7	9.30B	—	—	"
S/FL. C	FL.210	55	5.90	6	7	13	7.50	"
S/FL. C	FL.215	102	4.80	18	4.60	9	5.70	"
S/FL. C	FL.220	21	2.20	—	—	3	4.20	"
S/FL. P	FL.200	30	1.80	—	—	—	—	"
S/FL. P	FL.205	13	3.10	—	—	—	—	"
S/FL. P	FL.210	29	4.90A	17	7.50	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	FL.520	987	10.30	20	20	5	25	FL.502
ABN P	FL.480	59	9.10	2	17	10	21.80	"
AEGON C	FL.100	450	3.70	15	5.70	—	—	FL.98.90
AHOLD P	FL.105	66	3.50B	4	5.30	—	—	FL.108
AHOLD C	FL.109.10	10	4.70	—	—	—	—	"
AKZO C	FL.170	1130	10.30	226	15	13	18.50	FL.174.30
AMEV C	FL.75	528	1.70A	50	2.60	8	4.50A	FL.69.30
AMEV P	FL.70	46	4	15	4.20	—	—	"
AMRO C	FL.80	708	6.90	94	8.50	10	11	FL.86.40
AMRO P	FL.80	105	1.80	5	2.50	—	—	"
ELSEVIER C	FL.70	1272	3.90	285	6.20	17	7.50	FL.64
GIST-BROC C	FL.55	1068	3.10	450	4.40A	98	5.50	FL.53.50
GIST-BROC. P	FL.50	121	1.70	125	3	47	3.50	"
HEINEKEN C	FL.190	147	12.30	31	17.50	1	19	FL.197
HEINEKEN P	FL.180	45	2.50	3	4.20B	—	—	"
HOOGOVENS C	FL.45	430	7	130	8	23	9.30	FL.49.80
HOOGOVENS P	FL.45	242	2.20	45	2.90	—	—	"
KLM C	FL.60	1486	2	280	3.90	35	4.20B	FL.57.20
KLM P	FL.55	313	2.90	30	3.70	12	4.80	"
NEDLLOYD C	FL.190	491	11.50	—	—	—	—	FL.185.80
NEDLLOYD P	FL.180	192	11.30	16	16.30	10	17.50	"
NAT.NED. C	FL.75	624	6.40A	18	8.80	—	—	FL.80.50
NAT.NED. P	FL.75	236	1.60	24	3.10	—	—	"
PHILIPS C	FL.60	1732	1.20	610	2.70	583	3.60	FL.55.50
PHILIPS P	FL.55	213	1.90B	127	3.10B	5	4.20	"
ROYAL DUTCH C	FL.290	1219	10.40	307	17	10	20.10	FL.288
ROYAL DUTCH P	FL.280	358	6.80	65	9	56	10	"
ROBECO C	FL.105	23	8.40	3	11	—	—	FL.112.20
UNILEVER C	FL.144	465	6.90	630	11	—	—	FL.144.10
UNILEVER P	FL.140	72	3.80	22	5.40	—	—	"

TOTAL VOLUME IN CONTRACTS: 62,293

A=Ask B=Bid C=Call P=Put

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on Thursday August 5 1987

Mining Finance	+95.65	Leisure	+37.31
Publishing and Printing	+59.65	Other Groups	+36.20
Gold Mines Index	+57.11	Food Manufacturing	+36.05
Metals and Metal Forming	+56.05	Industrial Group	+35.96
Oils and Gas	+54.17	Capital Goods	+35.88
Mining Finance	+50.67	Consumer Group	+35.83
Property	+50.32	Other Industrial Materials	+33.57
Agencies	+50.19	Insurance (Composite)	+32.92
Health and H'sehold Products	+50.12	Financial Group	+31.16
Contracting, Construction	+47.11	Conglomerates	+30.57
Textiles	+46.80	Mechanical Engineering	+29.93
Shipping and Transport	+45.21	Electronics	+28.67
Building Materials	+41.21	Food Retailing	+28.66
Motors	+40.92	Investment Trusts	+27.61
Chemicals	+40.86	Stores	+27.60
Packaging and Paper	+39.06	Telephone Networks	+27.19
500 Share Index	+38.53	Insurance (Life)	+26.37
Merchant Banks	+38.18	Brewers and Distillers	+22.65
All-share Index	+37.63	Banks	+17.49
Electricals	+37.35	Insurance Brokers	+13.88

RISES AND FALLS ON THE WEEK

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	0	113	0	185	360	20
Corporations, Dom. and Foreign Bonds	1	29	27	50	108	129
Industrials	132	1,120	317	1,075	4,717	2,057
Financial and Props.	71	391	135	454	1,682	860
Oils	18	70	27	136	254	185
Plantations	1	4	9	8	20	42
Mines	32	98	60	303	347	300
Others	88	88	84	400	455	424
Totals	343	1,913	659	2,611	7,943	4,017

BANK RETURN

BANKING DEPARTMENT	Wednesday August 5, 1987	Increase (+) or decrease (−) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	92,311,025	+ 5,732,354
Bankers Deposits	1,072,077,661	− 54,651,480
Reserve and other Accounts	2,624,054,319	− 144,305,213
	3,802,996,005	− 193,224,339
ASSETS		
Government Securities	1,227,760,921	+ 547,710,626
Advance and other Accounts	763,373,165	− 465,275,625
Premises Equipment & other Secs.	1,803,857,729	− 275,352,567
Notes	7,754,456	− 275,263
Coin	249,734	− 31,510
	3,802,996,005	− 193,224,339

ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes in Circulation	13,282,245,544	− 29,724,737
Notes in Banking Department	7,754,456	− 275,263
	13,290,000,000	− 30,000,000
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	8,388,812,549	+ 700,931,244
Other Securities	4,890,172,351	− 730,931,244
	13,290,000,000	− 30,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat. Bk. of Kuwait	10
Adam & Company	9	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred.	10	Provincial Trust Ltd	10
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	9½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williamson Secs	10
Banco de Bilbao	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp.	10	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	10	UDT Mortgage Exp.	¶10.4
Bank Credit & Comm	9	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of Cyprus	9	Robert Fraser & Ptrs.	11	United Mizrahi Bank	10
Bank of Ireland	9	Girobank	9	Unity Trust PLC	10
Bank of India	9	Grindlays Bank	‡10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank. Corp.	9
Banque Belge Ltd	9	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Beneficial Tst Ltd	10	Heritable & Gen. Tst.	10		
Beneficial Trust Ltd	10	● Hill Samuel	§10		
Berliner Bank AG	9	C. Hoare & Co.	10		
Brit Bk of Mid East	10	Hongkong & Shangh.	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	9		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd.	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.51%. Sureride 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4¾% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 10.5%.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	6,900	190	−5
Allied Lyons	8,000	408½	+1½
Amstrad	7,000	151	−4
Argyll Group	2,800	424	+2
Assoc. Brit. Foods	785	359	−5
BAT	2,400	615	−5
BET	3,400	278	−4½
BOC	797	496	−7
BPB Inds.	431	362	−20
BPCC	7,050	322	−13
BTR	5,100	300	−15
Barclays	2,700	575	−14
Bass	1,100	895	−16
Beecham	3,238	547	−3
Blue Circle	1,000	465	−8
Boots	4,500	289	−3
Brit. Airways	17,000	143	—
Brit. Aero	2,100	489	−13½
Brit. & Comm.	3,000	499	−20
British Gas	13,000	174	—
Britoil	5,950	311	−13
BP	18,000	373	−11
Brit. Telecom	17,000	275	−1
Bunzl	677	232	−16
Burton	3,500	298	−6
Cable & Wire	7,100	406	−5
Cadbury Schwps	3,600	252	−7
Coats Viyella	1,000	325	−12
Comm. Union	1,400	344	−8
Cons. Gold	1,000	£13½	−¼
Cookson	396	727	−17
Courtaulds	1,500	455	−10
Dee Corpn	5,300	225	+2
Dixons Group	3,900	337	−13
English China Clays	1,200	488	−10
Fisons	5,290	322	+7
Gen. Accident	387	983	−2
Gen. Elect	15,000	211½	−4½
Glaxo	3,200	£17¼	+⅛
Globe Investment	1,000	174½	−4½
Granada	613	329	−3
Grand Met.	2,400	535	—
GUS "A"	520	£13¼	—
Guardian R.E.	230	952	−17
GKN	2,600	393	−6
Guinness	3,500	344	−8
Hammerson	632	588	+5
Hanson Trust	27,000	180	−4
Hawker Sidd.	1,000	548	−11
Hillsdown Hldgs.	3,300	308	+2
ICI	3,700	£15¼	+⅛
Jaguar	802	561	−5
Ladbroke	1,800	424	−10
Land Securities	4,000	928	−8
Legal & Gen.	1,400	304	−13
Lloyds Bank	1,100	350	−7
Lonrho	3,000	297½	−10
MEPC	1,400	499	−8
Marks & Spencer	8,100	255	+1
Midland Bank	3,300	618	−7
NatWest Bank	2,700	698	−7
Next	2,600	324	−9
Pearson	1,700	789	−16
P & O	479	678	−15
Pilkington Bros	1,400	927	−16
Plessey	10,000	192	−7½
Prudential	532	970	−42½
Racal	7,100	265	−9
Rank Org.	650	706	−19
RHM	851	315	−10
Reckitt & Col	86	£10⅝	—
Redland	1,900	503	−16
Reed Intl.	5,500	492	−14
Reuters	1,500	841½	−13½
RMC	219	482	−13
RTZ	2,200	£12⅜	−⅛
Rolls-Royce	11,000	107½	−3½
Rowntree	901	532	−21
Ryl Bank Scotland	75	370	−10
Royal Insurance	2,900	583	—
STC	6,000	266	−10
Saatchi & Saatchi	1,000	618	−11
Sainsbury	1,500	265	−8
Scott & Newcastle	2,900	231½	−12½
Sears	6,700	164½	−2
Sedgwick	1,700	287½	−19½
Shell Trans	3,500	£14⅜	−⅛
Smith & Nephew	3,400	168½	−4
Standard Chart	455	771	−12
Storehouse	17,000	357	−16
Sun Alliance	735	£10¼	−⅛
TSB	3,600	83½	−½
Tarmac	3,400	291	−3
Tesco	4,900	184	+2
Thorn EMI	2,100	650	−35
Trafalgar House	1,300	370	−7
T'house Forte	2,900	249½	—
Unigate	642	364	−4
Unilever	3,000	664	+5
United Biscuits	1,400	311	−4
Wellcome	1,300	454	−7
Whitbread "A"	1,700	332	−8
Woolworth	1,600	357	+1

Continued from page 13

Matsushita Electric Industrial Y2500 5 14 20
Mitsubishi Heavy Inds $3.65 Y548.45
Mount Carrington Mines A$8.024ϕ (5/8)
Mount Pleasant Resources 75
National Electronics (Cons) 6ϕ 7 10½
Nationale-Nederlanden CVA (Fl 2.5) Fl 79ϕ ¼ϕ $37⅞ 39⅞. Fl 79¼ ½ 80
North Flinders Mines 600ϕ (5/8)
Oil Search A$1.885ϕ 78ϕ 75 9 80 2 A$1.86, 865 42
Overseas Chinese Banking Corp S$10.9
Palabora Mining R36½ (31/7)
Pan Pacific Pet 10½ϕ 11ϕ ½ϕ 9 ¼ ½ 10½
Pechiney Ugine Kuhlmann Fr 331ϕ 339ϕ (3/8)
Petersville Sleigh A$2.841 (31/7)
Petroleum Securities Aust 45 (4/8)
Philips Kommunikations Industries DM 873.9 (4/8)
Pioneer Electronic Corp Y3070
Plenty River Mining Co 13
Poseidon 300ϕ 5ϕ 10ϕ 28ϕ A$6.94ϕ 300 2 5 6 8 A$6.77 85 98
Rea Gold Corp 430 (4/8)
Regal Hotels (Hldgs) 25 74 (31/7)
Rorer Grp $52.08ϕ 52.3ϕ (31/7)
Royex Gold Mining Corp 300ϕ
Schering-Plough Corp $53¼ϕ (31/7)
Selangor Coconuts 60 (31/7)
Service Corp Int Y1255 65 (5/8)
Societe Nationale Elf Aquitaine £39.8 Fr393½ 395 (5/8)
Source Perrier Fr825 30 35
Southland Corp $75¼ϕ 78.055ϕ (4/8)
Square Gold & Minerals 32 (4/8)
Sun Hung Kai H$4.733
Sky Line Exploration Com npv 57½
Swire Pacific "B" $H4.612ϕ (5/8)
Tandem Resources 70 (31/7)
Target Petroleum 27 8
Target Petroleum ($A0.15) 12ϕ
Valiant Consolidated 20ϕ 2ϕ 22 (4/8)
Vuitton (Louis) Fr1160 (5/8)
Vulcan Minerals 25 (4/8)
Wattle Gully Gold Mines 9½ A$0.218 (5/8)
Westfield Minerals C$3.925ϕ 3.975ϕ 180 C$3.98
Wong Industrial Hldgs 21ϕ
Zanex A0.30 (31/7)

RULES 35 (2)

Applications granted for specific bargains in securities not listed on any exchange.

Adnams B (£1) 16.50
Anglo-Am Agric 75 (4/8)
Ann Street Brewery 2ndPf (£1) 790
Appleton (10p) 19 (3/8)
Barbican Hldgs (2p) 4½ 5½
Berwick (5p) 57½ 8
Calltech (£1) 500 5
Channel Island Communications 450
Corton Beach Cnv Red Prf (10p) 170 80 (3/8)
David & Charles (1p) 17 8
Dawson (Wm) (10p) 650 5 (5/8)
Douglas Gas Light (£1) 305 (5/8)
Greenstar Hotels (10p) 27 (5/8)
GRI Electronics (10p) 88 102 (31/7)
Hydro Hotel (Eastbourne) (£1) 330 (5/8)
Jersey Gas (£1) 300
Jersey New Waterworks 10pcMtgDb Bds 1988-90 £94% (4/8)
Kunick Leisure (10p) 41½ 2 3 4
Le Riches Stores (£1) 435. Nε all pd 139 40
Lincolnshire Standard 400 (4/8)
Liverpool FC (£5) £240 (4/8)
London Fiduciary Tst (10p) 14½ 5½ (31/7)
Manx and Overseas Inv Tst (10p) 23 (31/7)
Mid-Kent Water 2.8pcPf £30% (4/8)
National Parking Corp (10p) 320 (4/8)
Norton Villiers Triumph (1p) 7 ½ 8 ½ 9
Oadles (10p) 22 4 5 (31/7)
Panther Secs 6pcPf (£1) 35 40
Seymours 4pcPtPf (£1) 52 (4/8)
Sth Quay Invs (£1) 135 (5/8)
Southern *Newspapers* (£1) 318 20
Talcare (£1) 220 (4/8)
Thwaites (Daniel) (£1) 695 700 3 10 (31/7)
UTC Trading (5p) 60 70 2 (5/8)
Union Jack Oil 100
West *Hampshire A 7pcMax* (£10) 850 (4/8)
Winchmore 90 (5/8)
Wistech (5p) 80 3 (31/7)
Wolverhampton Racecourse 275

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration.

Kenmare Resources (Ir£0.25) 54 6 7 9 ½ 60

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AUTHORISED UNIT TRUSTS

[illegible]

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Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	117.6	124.6	+0.5	0.75
(Accum Units)	123.2	130.3	+0.9	0.75
Brown Blue Chip Fund	49.0	51.8	-1.2	0.40
(Accum Units)	49.0	51.8	-1.3	0.40
American Sm Cos Fd	49.9	59.6	+0.5	0.47
(Accum Units)	55.9	59.1	+0.3	0.47
American Income	55.4	59.9	+0.2	3.96
(Accum Units)	58.7	62.1	+0.3	3.96
European Growth	158.0	167.8	+0.2	2.53
(Accum Units)	163.5	173.0	+0.2	2.53
European Income	84.4	89.3	-0.3	3.33
(Accum Units)	87.5	92.6	-0.4	3.33
General	758.1	779.9	-10.0	1.49
(Accum Units)	970.3	951.0	-18.5	1.49
Gilt	96.0	98.4	+0.2	7.61
(Accum Units)	102.3	107.8	+0.7	7.61
Global Fund	51.9	54.9	-0.1	0.10
(Accum Units)	51.9	54.9	-0.1	0.10
High Interest Fund	43.1	45.6	-0.8	0.20
(Accum Units)	43.5	46.0	-0.8	0.20
High Income Fund	50.2	53.1	-1.1	4.50
(Accum Units)	54.0	57.1	-1.2	4.50
Income	118.5	125.3	-3.5	2.89
(Accum Units)	135.9	143.8	-4.1	2.89
International	307.3	327.2	+1.5	1.19
(Accum Units)	387.0	409.5	+1.9	1.19
Japan	202.1	215.0	+1.0	0.57
(Accum Units)	207.5	220.7	+1.1	0.57
Pacific Fd	61.3	64.8	+0.1	0.30
(Accum Units)	61.3	64.8	+0.1	0.30
Recovery	298.3	321.0	-9.5	1.38
(Accum Units)	324.5	345.3	-10.4	1.38
UK Smaller Co's Fd	52.7	55.7	-1.1	0.20
(Accum Units)	52.7	55.7	-1.1	0.20
Exempt	94.3	99.6	+0.4	0.10
(Accum Units)	563.0	572.4	+0.8	2.35

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin July 29	610.0	647.8		1.04

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45186

UK Income Fund	62.1	66.0	-1.8	4.55
Accum Units	62.1	66.0	-1.8	4.55
UK Growth Fund Acc	58.8	62.6	-1.7	1.60

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	80.8	86.3		0.35
Holborn Equity Income	75.2	79.5		3.24
Holborn Equity Tst	607.5	638.6		2.11
Holborn European Tst	123.8	130.9		0.65
Holborn Gilt Tst	209.2	218.2		7.18
Holborn High Inc Tst	91.3	96.6		4.47
Holborn Intl Grp Tst	122.8	130.9		0.67
Holborn Japanese Tst	130.6	138.1		0.06
Holborn N. Amer. Tst	100.1	105.9		0.46
Holborn Sm Cos Tst	82.0	86.7		1.34
Holborn Spec. Sits Tst	106.8	113.0		1.29
Holborn UK Growth Tst	120.3	127.3		1.47

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	656.1	694.3	-41.0	1.41
Quadrant Income	323.1	342.0	-22.1	3.89
Quadrant Intl. Fund	470.8	498.3	+14.2	1.00
Quadrant Spec. Sits	450.7	477.0	-56.8	1.38

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	234.9	249.9	-13.2	2.30
Reliance Unit Tst (Inc)	163.7	174.1	-9.0	1.86
Reliance Uk Tst (Acc)	220.3	234.3	-12.1	1.86

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	52.5	55.3	+0.5	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America Inc	336.6	358.0	+2.2	0.78
NC America (Acc)	370.7	394.3	+2.5	0.78
NC Inc Fd	118.0	125.5	-3.7	2.97
NC Japan Fd	207.0	220.2	+1.0	0.0
NC Major UK Cos Fd	66.5	70.7	-4.0	1.86
NC Smlr Australasian	93.0	98.9	+0.2	0.30
NC Smlr Canadian CoFd	51.3	54.5		0.89
NC Smaller Cos	232.7	247.5	-20.0	0.92

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

National Provident Inst.—Contd.

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provident Mutual Life Assur.—Cont.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assur.—Contd.

Royal Life Insurance Ltd

Royal Liver Assce (Life & Pensions)

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Skandia Life Assur.—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Target Life Assurance—Contd.

Teachers' Assurance Company Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

For Tyndall Assurance/Pensions see Aetna Life

UK Life Assurance Co Ltd

UK Provident

University Medical General Ltd.

Vanbrugh Life Assurance

Vanbrugh Pension Limited

Wesleyan & General Assurance Soc

Windsor Life Assur. Co Ltd

Yorkshire & Lancashire Investment Mgt.

O'Halloran & Co/Countrywide

PBR Fund Management Ltd.

The Porchester Group

Rothschild Financial Services Plc

Sharp (Albert E.) & Co

Tavry Law & Co

J. H. Ward & Co Ltd

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plans.) Ltd

The Analysis Group PLC

Ashville Insurance Brokers Ltd

Bryan Walls & Partners Ltd

Chase de Vere Investments Ltd

Doherty Cahn Financial Mgt. Ltd

First Financial Services PLC

Fitzgerald Ltd

Investment Portfolio Services Ltd

Johnson Fry Plc

Knight Williams & Company Ltd

Lamont & Partners Ltd.

M & E Financial Management Ltd

North Financial Management Ltd

Noble Lowndes & Partners Ltd

The Normington Group

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

Adig Investment

Aetna International Assurance (Bermuda) Ltd

For Albany Fund Management see Fleming Group

Albany International Assurance Ltd

Alexander Raven (Bermuda) Ltd

Alliance Capital Management Intl. Inc.

Allied Dunbar International Fund Mgrs.

Allied Irish Fund Managers (CI) Ltd

Anglo-Swiss Asset Management Ltd

Asset Global Funds Ltd

BAII Multicurrency (SICAV)

BIA Bond Investments AG

BHF Inv Mgmt (Jersey) Ltd

Baring Fund Managers (Guernsey) Ltd

Baring International Group

Barclays Unicorn International

Bankers Trust Co (Jersey) Ltd

Banque Scandinave Fd. Mgrs. Ltd

The Bangkok Fund

Bermuda Intl Invest Mgmt Ltd

Barrington Mgmt (CI)

Bishopsgate Commodity Ser. Ltd

Brazil Capital Services Ltd

Bridge Management Guernsey Ltd

Bridge Management Ltd

Bridge Singapore Asset Mgmt Ltd

Brown Shipley Fund Mgmt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

CMI Financial Mngmt Services Ltd

CRC Asset Management Limited

Capital International

Cater Allen Investment Management (CI)

Charterhouse Bank

Charterhouse Fund Mngt. (C.I.) Ltd

Citibank (CI) Ltd "Citifunds"

Cortaxa International

Credit Suisse

Creditanstalt Asset Mngmt Ltd

DWS Deutsche Ges. F. Wertpapiersp

Dalmor Investment Trust Co Ltd

Dartrust Management (Guernsey) Ltd

Dean Witter World Wide Investment Trust SA

Delta Group

Deutscher Investment-Trust

Dresel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd

Dunedin Unit Trust Mgrs (Bermuda) Ltd

Dunn & Hargitt Group

EBC Trust Company (Jersey) Ltd

Eiders (Switzerland) Invest. Mgt. SA

Equilink International Mngt Ltd

Equity International Management Serv Ltd

Equity & Law International Fund Mgr Ltd

Equity & Law International Life Assur Co Ltd

Ermitage Management Ltd

Ermitage Management Cayman Ltd

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	100⅛	Treas. 12pc 1987	100¼	....	11.96	9.95
99⅞	97⅞	Treas 7¾pc 1985-88‡‡	99⅛	+1/32	7.82	9.55
102¼	99⅞	Exch 10½pc '88	100⅛	-1/16	10.47	10.06
101⅞	98⅞	Treas 9½pc Cv '88	99⅞	-⅛	9.79	10.16
97⅛	93⅛	Transport 3pc '78-88	96¼	-⅛	3.12	7.47
101⅞	98⅛	Treas. 9½pc '88	99⅛	-⅛	9.58	10.17
105⅞	101⅞	Treas 11½pc 1989	101⅞xd	-⅛	11.31	10.22
102⅞	97⅞	Treas 9½pc Cnv 1989	98⅞	-⅛	9.61	10.25
94⅞	89¼	Treas 3pc 1989	93¼	-⅛	3.22	7.13
104⅞	99⅞	Treas 10½pc 1989	100¼	-⅛	10.46	10.26
103⅛	98½	Exch 10pc 1989	99⅞	-⅛	10.05	10.25
105⅞	100⅝	Exch 11pc 1989	101¼	-⅛	10.86	10.28
95⅞	89⅞	Treas 5pc 1986-89	93¼	-⅛	5.32	8.02
108⅛	100½	Exch 10½pcCv '89	100⅞	-⅛	10.18	9.87
111⅛	105¾	Treas 13pc 1990‡‡	105⅞	-⅛	12.12	9.55
106½	100⅞	Exch 11pc 1990‡‡	101⅞xd	-⅛	10.68	9.59
110⅛	104⅞	Exch. 12½pc 1990	104⅞	-⅛	11.76	9.69
91⅞	84½	Treas. 3pc 1990	89⅛	-⅛	3.33	6.97
100⅛	93⅞	Treas 8¼pc 1987-90‡‡	96⅞	-⅛	8.44	9.15
105	97¼	Treas. 10pcCv 1990	99¼	-⅛	9.99	9.71
89⅞	81⅛	Exch 2½pc 1990	86⅛	-⅛	2.95	6.65
110½	103¼	Treas 11¾pc 1991	104⅞	-⅛	11.11	9.70
95⅛	87¼	Funding 5¾pc '87-91‡‡	90⅛	-⅛	6.25	8.32
89⅞	80¼	Treas. 3pc 1991	85⅞	-⅛	3.46	7.04
110⅞	100⅛	Treas 10pc Cv '91‡‡	100⅛	-⅛	9.80	9.34
109⅝	101¼	Exch. 11pc 1991	102⅛	-¼	10.55	9.72
18⅞	15⅞	Treas. 8pc 1991 (20pd)‡	15⅞	-¼	8.25	8.78
116⅛	108⅛	Treas 12¾pc 1992‡‡	109⅛	-⅛	11.52	9.71
106⅛	97⅞	Treas 10pc 1992	99⅛xd	-⅛	9.89	9.69
99½	92¼	Treas. 8pc 1992‡‡	92⅛	-⅛	8.15	8.47
108⅞	99⅞	Treas 10½pc Cv 1992‡‡	101⅛	-⅛	10.21	9.71
85⅝	82⅞	Treas. 3pc 1992	82⅞	-1⅛	3.50	6.46

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

1987 High	Low	Stock	(b)	Price £	+ or –	(1)	(2)
131⅞	125½	Treas. 2pc '88	(297.1)	130⅞	-⅛	—	2.87
117¼	108⅞	Do. 2pc '90	(333.9)	115⅞	-⅛	0.73	2.53
99⅛	93½	Do. 2pc '92‡‡	(385.8)	97⅛	-⅛	2.34	3.00
128⅛	119⅛	Do. 2pc '96	(267.9)	124⅞	-1⅛	3.42	3.94
111¼	101⅞	Do 2½pc '01	(308.8)	103⅛	-⅛	3.63	4.24
110	100¼	Do. 2½pc '03	(310.7)	101⅞	-⅛	3.58	4.19
113⅛	103⅛	Do. 2pc '06	(274.1)	103⅞	-1	3.63	4.09
108	98⅛	Do. 2½pc '09	(310.7)	98⅞	-1⅛	3.59	4.01
113⅞	103⅛	Do. 2½pc '11	(294.1)	103⅛xd	-⅛	3.70	3.94
95⅛	86⅞	Do. 2½pc '13	(351.9)	86⅛xd	-⅛	3.63	3.90
103⅛	93⅛	Do. 2½pc '16	(322.0)	93⅛	-⅛	3.42	3.82
101⅛	91⅛	Do. 2½pc '20	(327.3)	91⅞	-⅛	3.44	3.73
86⅛	77¼	Do. 2½pc '24‡‡	(385.3)	77⅞	-⅛	3.39	3.65

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1986: 391.70 and for June 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113¾	99½	African Dv Bk 11¼Ln 2010	99⅝xd	-½	11.14	11.13
109⅝	95	Asian Dev Bk 10⅝pcLn2009	96¼	-½	10.66	10.70
136	118⅝	Australia 13½pc 2010	121⅛	-½	11.15	10.96
118¼	102¼	Do. 11¾pcLn2015	104	-½	10.94	10.91
115⅝	102¼	Euro Inv Bk 11pc Ln 2002	102¾	-½	10.69	10.60
110¼	97⅛	Do. 10¼pc2004	98⅛	-¼	10.57	10.60
126¾	112⅝	Int-Am Dev Bk 12½pc 2003	112¾xd	-½	11.09	10.77
104⅝	90¼	Do. 9¾pcLn 2015	92⅛	-½	10.67	10.71
97¼	83	Mlysia 10¼pcLn 2009	88⅝xd	-¼	12.13	12.24
102½	99¼	Malaysia 12¼pc '88	99¼xd	....	12.33	12.73
115	100¾	NZ 11¼pc 2008	102	-¼	11.03	10.99
118⅝	102⅞	Do 11½pc 2014	104	-½	11.06	11.02
176¼	119⅝	Sweden 13½pc Ln 2010	121¼	-½	11.13	10.93
106	96½	Utd. Mexican States 16½pc	99⅝xd	-¼	16.60	17.04

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30 9/16	22⅞	Sara Lee $1	28½xd	+½	$1.00	—	2.2
11 3/16	8⅞	Saul (B. F.) $1	10⅞xd	–1/16	20c	—	1.1
26¼	19⅞	Southwestern Bell $1	25¼	+½	h$2.33	—	5.6
18⅝	14¼	Staley Continental	18⅝	+⅛	80c	—	2.6
44 3/16	36⅛	Sun Co. Inc. $1	40⅝xd	–¼	$3.00	—	4.5
39¼	28½	TRW Inc. $0.625	39¼	+1	h$1.60	—	—
34 3/16	25⅞	Tenneco $5	34 3/16		$3.04	—	5.5
197½	149½	Do. 10pcLn.Stk. 91-5	197½xd		10%	—	f5.1
29⅝	17 3/16	Texaco $6.25	29⅝		$3.00	—	6.3
71¼	47¼	Time Inc. $1	71	+1	$1.00	—	0.9
14½	11	Tracor $0.33	12⅝		40c	—	1.9
27½	18¾	Transamerica $1	27½	+7/16	$1.76	—	3.9
13⅝	922p	Transworld Corp $5	13⅝		20c	—	0.9
47	29¼	TRINOVA Corp.	46⅞	+⅛	h$1.00	—	1.3
24 7/16	15 1/16	♦USX $1	23 3/16	+3/16	$1.20	—	3.1
19⅝	15 1/16	Union Carbide $1	18xd	+⅛	$1.50	—	5.1
36 7/16	26¾	Utd. Technologies	36 7/16	+⅛	$1.40	—	2.4
38⅝	27	US West	33¾	+¼	$3.28	—	6.0
29⅝	17¼	Waste Management $1	29⅝	+¼	—	—	—
£31¼	£20½	Whirlpool $1.0	£25¼	+⅛	—	—	—
36¾	26	♦Woolworth $3½	35¼	+⅜	$1.32	—	2.3

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21½p	10p	♦Abbot Energy Corp.	21½p		—	—	—
14½	506p	♦Amer. Barrick Res.	14xd		—	—	—
122p	52p	♦Asamera	89p	–12	—	—	—
19⅝	14⅝	Bk. Montreal	16¼	–½	$2.00	—	5.7
10½	745p	Bk. Nova Scot.	864p	–13	72c	—	3.8
20⅝	18	BCE	19⅝	+⅛	$2.40	—	5.6
10½	712p	♦Bow Valley	940p	–25	40c	—	1.9
20	12⅝	♦Brascan	19⅝	–⅛	88c	—	2.1
609p	277p	♦Breakwater Res.	474p	+7	—	—	—
11¼	894p	Can.Imp.Bk. $2	11xd		$1.08	—	4.5
14	865p	Can. Pacific	13½xd		48c	—	1.7
42½	37½	Do. 4pc Deb £100	41½		4%	—	9.6
17	756p	♦Echo Bay Mines	16	–⅛	20c	—	0.6

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
111	93	Andaman Res. 10p	106	+1	—	—	—	—
46	9	Ardmore Pet. 'A'	22	+2	—	—	—	—
98	45	Catalyst Comms. 5p	79	–6	—	—	—	32.8
200	158	Chelsea Artisans 5p	158	–10	—	—	—	27.2
190	153	Comac Group 5p	153	–5	—	—	—	—
151	47	Corton Beach 10p	126	+8	0.4	◆	0.4	◆
200	150	Crown Eyeglass 5p	153	–5	—	—	—	—
285	102	Edenspring Investment	225	–10	—	—	—	—
*62	18	Eglinton Oil Ir.5p	26	–3	—	—	—	—
41	17	Do. Warrants	18	–2	—	—	—	—
186	101	Far East Res. 10p	151	–19	—	—	—	—
82	17	Publishing Hldgs.5p	61	–6	—	—	—	35.3
7680	45½	Theme Holdings	62	–3	1.0	◆	—	◆
240	111	Unit Group	140a	......	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganization in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ◆ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	90	......
Craig & Rose £1	£20¼	......
Finlay Pkg. 5p	118	......
Holt (Jos) 25p	1803	......
IoM Stm. £1	141	–5
IRISH		
Fund 11¼% 1988	£100¾	......
Nat. 9¾% 84/89	£97¼	......
Fin. 13% 97/02	£109¾	......
Arnotts	375	......
CPI Hldgs	85	......
Carrol Inds.	151	–5
Dublin Gas	18	......
Hall (R. & H.)	140	......
Heiton Hldgs.	47	–1
Irish Ropes	195	......
Unidare	425	–5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	20
BAT	55
BOC Grp	45
BSR	17
BTR	30
Babcock	19
Barclays	52
Beecham	50
Blue Circle	50
Boots	25
Bowaters	50
Brit Aerospace	55
Brit. Telecom	32
Burton Ord	35
Cadburys	22
Charter Cons.	40
Comm Union	30
Courtaulds	45
FNFC	30
Gen Accident	95
GEC	24
Glaxo	200
Grand Met	55
GUS 'A'	175
Guardian	90
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	125
Jaguar	52
Ladbroke	40
Legal & Gen	32
Lex Service	45
Lloyds Bank	50
Lucas Inds	62
Marks & Spencer	22
Midland Bk	58
Morgan Grenfell	35
NEI	12
Nat West Bk	68
P & O Dfd	65
Plessey	22
Polly Peck	28
Racal Elect	24
RHM	30
Rank Org Ord	70
Reed Intnl	45
STC	30
Sears	15
TI	34
TSB	10
Tesco	58
Thorn EMI	70
Trust Houses	24
Turner Newall	28
Unilever	300
Vickers	20
Wellcome	42
Property	
Brit Land	25
Land Securities	45
MEPC	42
Peachey	45
Oils	
Brit Petroleum	32
Britoil	32
Burmah Oil	45
Charterhall	6
Premier	11
Shell	110
Tricentrol	11
Ultramar	24
Mines	
Cons Gold	95
Lonrho	26
Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

FINANCIAL TIMES

Saturday August 8 1987

B & C raises Mercantile House bid

BY CLIVE WOLMAN

THE BRITISH & Commonwealth Holdings conglomerate yesterday increased its offer for Mercantile House, the financial services group, to 575p a share, valuing the company at about £545m. This is £15m more than the value of the counter-offer Quadrex Holdings made for Mercantile on Wednesday.

The latest offer has been made with the "strong support" of the Mercantile board, which had failed to respond to Quadrex's counter-offer. This valued the company at £40m more than the original B & C offer, which also had the Mercantile's board's backing.

Mercantile said B & C was welcomed as the most suitable purchaser by the heads of all its main divisions — Oppenheimer fund management, Marshalls moneybroking and Alexanders Laing and Cruickshank Holdings (ALCH), the securities firm.

Mr John Gunn, B & C chairman, reaffirmed his intention to sell ALCH to Credit Lyonnais, the French bank, but for about £8m more than the £75m originally agreed. Mercantile' moneybroking and inter-dealer broker divisions will also be sold, possibly for about £280m, leaving B & C in control of Oppenheimer alongside its existing Gartmore fund management business.

The independent directors of the US mutual funds managed by Oppenheimer made a surprise announcement in New York on Wednesday evening that under US law they would be entitled to end Oppenheimer's management contracts if the Quadrex bid for Mercantile succeeded.

Earlier, the directors approved the transfer of contracts required if the B & C bid succeeded.

Mr Gary Klesch, Quadrex chairman, said last night that the threat was spurious as Quadrex intended to sell Oppenheimer to a bidder acceptable to the mutual fund investors. "These guys are going to great lengths to get rid of Quadrex," he said.

On Wednesday when Quadrex presented its counter-offer, which was conditional on the recommendation of the Mercantile board, the Mercantile directors contacted their B & C counterparts. B & C was told that unless it bettered Quadrex's offer by Friday morning, Mercentile would have to recommend acceptance of its rival's bid.

B & C submitted its revised offer on Thursday night and Quadrex has now formally withdrawn, while leaving open the possibility of a counter-offer.

On Thursday evening, B & C's offer, comprising a mixture of shares and convertibles with a partial cash alternative, was worth 600p per Mercantile share but B & C's share price fell sharply on the announcement yesterday from 522p to 499p, which reduced the value of the offer to 576p.

Mr Peter Goldie, B & C director, said the company had *serious doubts a month ago* about whether even its original offer was too high, but had now decided that the value of Mercantile justified a higher offer. This was because it had received several approaches from potential purchasers of the moneybroking and inter-dealer broking businesses, and more detailed discussions between the managers of Gartmore and Oppenheimer had revealed greater benefits from combining the two companies.

OECD praises UK economic performance

BY JANET BUSH

RECENT ECONOMIC developments in Britain compare favourably both with its own past performance and with the current performance of other industrialised countries, the Organisation for Economic Co-operation and Development says today.

In its annual survey on Britain, the OECD praises the Government's progress in improving the supply side of the economy and says growth prospects for this year remain good.

The report is complimentary overall, but points to two persistent problems faced by Britain — high unemployment and an inflation rate still above that of most of its key trading partners.

The recovery of rates of return on capital and the apparent strengthening of productivity growth may be taken as the first signs that the economy is moving in the right direction, the OECD says. Nonetheless, the organisation questions whether this year's strong growth and performance by manufacturing industry represents a fundamental improvement in the economic background or simply a one-off cyclical peak.

The OECD forecasts economic growth of 3½ per cent this year, tailing off to 2½ per cent next year. British industry is expected to lose its competitive edge with unit labour costs increasing faster than its main trading partners.

Export gains arising from sterling's depreciation last year will become smaller and a reverse is projected. The OECD sees no immediate and serious problems for the current account of the balance of payments this year, and forecasts only a £500m deficit. However, it forecasts a £2.5bn shortfall next year.

The OECD remains unconvinced that this year's sharp falls in the offical unemployment total have been because of a recovery in economic activity rather than as a result of the Government's special employment measures.

"Targeted at the young and the long-term unemployed, the measures taken entail little risk of rekindling inflation. However, while reducing social hardship and enhancing human capital, they cannot substitute for more fundamental improvements in the functioning of the labour market," it says.

The more rapid increase in wages in Britain compared with other industrialised countries represents a large problem. In spite of high unemployment, wages have been rising faster than abroad, and this could put at risk the Government's record on inflation.

Economy expected to keep growing, Page 5

S African miners to return home in strike

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S mining industry faces paralysis next week as thousands of gold and coal miners plan to walk off the mines and return to their homes to sit out the nationwide mine strike due to begin early Monday morning.

Some 200,000 members of the black National Union of Mineworkers in 28 gold mines and 19 coal mines will be involved.

Mr Cyril Ramaphosa, the union's *general secretary, said* yesterday the unprecedented decision was taken to safeguard the lives and security of miners.

"They will be away for as long as the strike lasts and will only come back when recalled by union officials following an acceptable offer from the Chamber of Mines," he added.

Although legal strike action is due to take place only in the 28 gold and 19 coal mines, Mr Ramaphosa said workers in diamond and other mines not covered by the dispute had been instructed to hold sympathy strike ballots on Monday to intensify pressure on the Chamber of Mines, the employers' organisation.

The decision to strike follows union rejection of this year's imposed annual pay settlement. The chamber imposed rises ranging from 16 to 23.5 per cent. A strike ballot six weeks ago produced a vote with more than 90 per cent in favour of strike action in support of a 30 per cent flat increase, 30 days' annual leave, improved danger pay and death benefit and Soweto Day, June 16, as a paid holiday.

The chamber refused to raise the settlement and countered union arguments based on high profitability by arguing that the wage increases were above the 16 per cent rate of inflation and that labour costs had already risen from 38.7 per cent of total mining costs in 1986 to 43.6 per cent by March this year.

Mr Ramaphosa said the gold price would probably rise as a result of the strike as the mines did not have large stockpiles and it would take up to two months to get mines working again if employers attempted to recruit fresh labour.

Mr Andrew Levy, a leading labour relations consultant in South Africa, said the union's decision to get the miners to leave the mines and return home would increase psychological pressure on the employers by giving the impression that the union was prepared for a lengthy stoppage.

It would also allow the union to disassociate itself from any violence. At least four miners were killed in fighting underground and in the mine hotel of Gencor's Leslie gold mine this week and past mine strikes have been accompanied by clashes between strikers and police.

More than 500,000 workers are employed by the gold and coal mining industries, which provide more than 50 per cent of South Africa's export earnings.

Labour problems contributed to a fall in gold output over the first half of 1987 to 9.9m ounces compared with 10.32m ounces last year. But South Africa's official gold reserves are the highest since August 1985 at 6.2m ounces and accounted for R5.3bn (£1.61bn) of the country's total reserves of R7.10bn at the end of July.

BCal board to review strategy after merger referral

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE British Caledonian Airways board is to meet today to review its strategy following the Government's decision to order a Monopolies and Mergers Commission study of its proposed £237m takeover by British Airways.

Sir Adam Thomson, BCal chairman, said yesterday the board would discuss co-operation with the commission's inquiry *and possible talks with* other airlines in case the commission ruled against a merger with BA.

BCal said it did not expect any immediate adverse consequences to its trading as a result of the referral to the commission. But it admitted its immediate task was to sustain staff morale and boost customers' confidence in the airline.

Last week, urging that the merger be approved without a referral, BCal had suggested *that any delay would be detri*mental to its trading position.

But Mr David Coltman, BCal's managing director, stressed in a message to staff yesterday that the Government's request for a fast report —the target date is November 6—had changed the situation.

He said: "BCal's current traffic and forward bookings are extremely strong and we are at the most profitable time of our year. Cash facilities remain excellent."

He added that so far this financial year (from November 1), BCal had seen a 9 per cent increase in passenger totals and a 6 per cent climb in revenues. There had been no fall-off in bookings over the past two weeks as a result of publicity about the merger.

BA reiterated yesterday that it believed the proposed merger was in the public interest. Sir Colin Marshall, chief executive, said the internal joint airline taskforce set up to mastermind *the integration of the two air*lines would remain in place.

Choice of paths, Page 4

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
British Land	327	+ 24
Gibbon Lyons	180	+ 20
MBS	153	+ 8
Sec'ity Tag Systems	206	+ 14
FALLS		
Abbey Life	270½	− 26½
Arlen Elec	178	− 16
BPCC	322	− 13
Blue Arrow	828	− 12
BP	373	− 11
Bunzl	232	− 16
Common Bros	63	− 8
Countryside Props	250	− 23
Downiebrae	138	− 20
Egerton Trust	263	− 30
Electron House	163	− 25
Ford (Martin)	213	− 14
Hampton Trust	104	− 9
Inchcape	743	− 41
Lonrho	297½	− 10
Press Tools	365	− 80
Rea Bros	135	− 11
Regentcrest	160	− 15
Rowntree	532	− 21
STC	266	− 10
Smallshaw (R.)	132	− 18
Storehouse	357	− 16
Thorn EMI	650	− 33
United Newspapers	473	− 36
WPP	780	− 40
Williams Hldgs	852	− 23

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	27	81	Dallast	S	26	79	Madeira	C	23	73	Prague	F	13	55
Algiers	S	31	88	Dublin	C	14	57	Madrid	F	26	79	Reykjvk.	S	16	61
Amsdm.	S	17	63	Dbrvnk.	S	27	81	Majorca	S	29	84	Rhodes	S	31	88
Athens	F	31	88	Ednbgh.	C	16	61	Malaga	S	30	86	Rio J'o		—	—
Bahrain	S	39	102	Faro	S	24	75	Malta	S	30	88	Rome	F	29	84
Barclna.	F	24	75	Florence	C	23	73	M'chstr.	R	11	52	Salzbrg.	C	13	55
Belfast	R	13	55	Frankft.	S	18	64	Melbne.	S	14	57	S F'cisct	F	15	59
Belgrd.	S	25	77	Geneva	C	19	66	Mx. C.		—	—	Seoul	R	19	66
Berlin	F	17	63	Gibraltar	F	27	81	Miamit	S	29	84	Singapr.	R	24	75
Biarritz	F	21	70	Glasgow	C	14	57	Milan	C	17	63	S'tiago		—	—
Bmghm.	C	14	57	G'rnsey	F	17	63	Montrl.t	S	17	63	Stckhm.	F	17	63
Blackpl.	R	13	55	Helsinki	R	11	52	Moscow	C	16	61	Strasbg.	F	20	68
B. Aires		—	—	H. Kong	F	31	88	Munich	R	12	54	Sydney	S	17	63
Bombay	T	24	75	Innsbrk.	C	16	61	Nairobi	C	24	75	Tangier	F	24	75
Bordx.	S	21	70	Invrnss.	C	13	55	Naples	F	29	84	Tel Aviv	S	32	90
Boulgn.	F	17	63	I.o Man	C	13	55	Nassau		—	—	Tenerife	S	27	81
Bristol	F	17	63	Istanbul	F	29	84	Nwcstl.	C	14	57	Tokyo	C	28	82
Brussels	F	18	64	Jersey	C	19	66	N Delhi	C	33	91	T'rontot	S	15	59
Budpst.	R	16	61	Jo'burg	S	13	55	N Yorkt	F	21	70	Tunis	S	34	93
Cairo	S	35	95	Leeds	C	13	55	Nice	S	24	75	Valencia	S	29	84
Cardiff	F	18	64	L. Plms.	S	25	77	Nicosia	S	33	91	Venice	C	17	63
Cape T.	S	29	84	Lisbon	F	23	73	Oporto	F	21	70	Vienna	C	14	57
Chicagot	S	21	70	Locarno	C	18	64	Oslo	F	14	57	Warsaw	F	17	63
Cologne	C	19	66	London	C	17	63	Paris	F	19	66	Wshgtn	C	23	73
Cpnhgn.	F	15	59	L. Ang.t	C	18	64	Peking	C	27	81	Wellgtn.	C	12	54
Corfu	S	31	88	Luxmbg.	F	16	61	Perth	S	21	70	Zurich	R	13	55

C—Cloudy. Dr—Drizzle. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder. † Noon GMT temperatures.

Baker plans bigger role for industry in education

BY RALPH ATKINS

INDUSTRY is to be given greater influence over the running of England's 400 colleges of further education as part of the Government's plans to reduce local council control over education.

Under measures announced yesterday, representatives from business, trade unions and the professions will make up at least half the members of college governing boards, which will have increased financial powers and more control over hiring and dismissing staff.

The proposals, in a consultative document released by Mr Kenneth Baker, Education Secretary, will be included in the education bill expected to be introduced in the autumn. Interested parties have until October to comment.

The document complements plans already announced to allow schools to opt out of local government control and to introduce a national core curriculum.

The measures published yesterday require local education authorities to draw up schemes for delegating financial control to college governing bodies. Colleges are likely to be allowed to switch spending between departments, retain income from paid-for courses and make their own arrangements for services normally provided centrally by education authorities.

Local education authority representation on governing bodies will be cut from an average of about 50 per cent at present to a maximum of 20 per cent. Industrial and commercial representatives currently provide about 25 per cent of members.

Other representatives will be appointed by students, parents and staff. Chairmen will be appointed from among the industry or parent representatives.

The governing bodies will be responsible for the general direction and efficient management of colleges with day-to-day running delegated to the principal. The governors will have extended powers over the appointment of senior staff, including principals. These appointments currently require education authority confirmation.

The measures are designed to bring further education colleges, which fill the gap between schools and universities or polytechnics, in line with the needs of industry and improve financial efficiency.

The report follows an efficiency study of further education published last month by the Government

Maintained further education: Financing, governance and law. Department of Education and Science, Publications Dispatch Centre, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

Mercury breaks into European telecoms market

By David Thomas

MERCURY Communications, the fledgling rival to British Telecom, has made a breakthrough into the lucrative European public telecommunications market with an agreement for an exchange of traffic with Italy.

Mercury is also close to signing agreements on the interchange of traffic with four other Continental countries, Mr Gordon Owen, the company's managing director announced yesterday. He would not name the countries, but they do not include France or West Germany.

The agreements would be an important step in Mercury's development as an international telecommunications operator meaning it would no longer have to hand over to BT the calls it generates in these markets. Under telecommunications conventions, overseas operators will send the same amount of traffic to Mercury as it sends to them.

Mercury says it will charge 12 to 17 per cent less than BT for calls to Italy, when its service starts before the end of the year. It will aim marketing campaigns at business and residential customers who dial Italy frequently in a bid to add rapidly to the 1.5 per cent of UK-Italian traffic it already generates.

Until now, Mercury's international agreements have mainly been either with countries with more than one operator, such as the US, or countries where its parent, Cable and Wireless, has a strong presence, such as Hong Kong.

Mercury has had the support of the British Government in trying to persuade Continental operators to exchange traffic. Mr Owen said he would wait for the reactions of France and West Germany to the Italian decision before deciding whether to ask the Government to increase pressure on them.

Mercury also announced yesterday that it is to publish quarterly quality of service information and targets as part of its continuing assault on BT, which has been widely criticised in the past month for its poor service.

Mercury's figures are almost certain to be better than BT's because it has a more modern and smaller network. Mr Owen said the company would be using the figures as a "marketing tool."

Under pressure from the Office of Telecommunications, the industry's regulatory body, BT is to resume publishing quality-of-service data in the autumn. It stopped doing this when it was privatised because it said the information was commercially sensitive.

However, BT has not yet agreed to Oftel's suggestion that it should also publish performance targets.

Mercury will announce criteria for monitoring its quality of service next month. Figures covering installation times, fault rates, and fault repair times will then be published every three months.

Continued from Page 1

Markets

As the trading system showed signs of strain, traders found it difficult to keep their screen quotations updated when a rush of unit trust selling sent prices plunging.

There is apprehension that Monday morning may bring further unit trust selling from small investors who had been attracted by the market's bull phase.

Concern was being expressed, too, over the weight of rights issues and other cash calls hanging over what is now a weakened market.

The next two months will bring nearly £2bn in secondary calls on the recently-issued privatisation stocks.

Government bonds steadied after initial losses, brightening at the close when some domestic retail buying was reported.

There were signs from the index-linked sector, too, that inflation worries might have eased, with investors switching into conventional gilt-edged stocks.

The sell-off in the bond market has already continued for a fortnight, and some analysts were suggesting yesterday that prices might soon steady.

Brokers complained that marketmakers were avoiding trading by delaying answering phone calls, or by more sophisticated means.

Several marketmakers were clearly keeping their quotations outside the band of "touch" or "best trading range" appearing against each Alpha—major—stock quoted on the Stock Exchange's automated quotations system.

Thus, at mid-morning, only two marketmakers—one of which deals only in 1,000 share lots—were quoting the "touch" price in Allied-Lyons shares.

THE LEX COLUMN

Sweating out the dog days

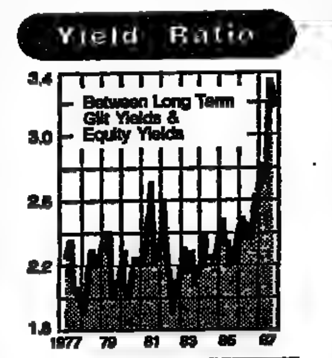
After a week like that, what the market needs is time for some calm reflection on fundamental values. It will not get it. Next week kicks off with statistics on producer prices and goes on through trade figures, industrial production, average earnings, retail prices and US trade figures—any one of which, in the present climate, could start a fresh wave of paranoia on inflation and interest rates. Even barring economic upsets, things are plainly going to be tricky for as long as the present technical position persists, with zero demand for equity confronting any amount of supply. The big question is what kind of level the market ought to find when things settle down.

There is general agreement that the corporate sector is still set for a good 1988, with profits and dividends moving ahead nicely and balance sheets remarkably strong. There is also agreement that UK equities are cheap in an international context particularly compared to Wall Street — though again, Wall Street might just be dear. The picture is recognisably the same as that painted in the latest OECD report on the UK; it is also consistent, though, with some of the OECD's less cheerful productions for 1988 —domestic demand starting to weaken, capital expenditure petering out by the year end and rising wages hitting exports. All this is some way in the future, but discounting the future is what markets are for.

Then again, equities are stubbornly high in relation to gilts, and in an historic context alarmingly so. This is sustainable if dividends grow fast enough, but the relationship has other aspects. Pension funds, for example, are arguably natural buyers of gilts for the income stream they provide. A long bull market produces income of its own in the form of capital gains, so they switch to equities. Other investors such as mutual funds or private clients, by contrast are natural equity buyers, and buy more the more they go up. It is a virtuous spiral which must one day turn vicious.

In the meantime, it all comes back to the Chancellor's reason for raising interest rates when he did. It is not hard to construct a bullish argument, which says that there is nothing worse ahead than an early threat of inflation, and that the authorities are determined to break with tradition by tackling it early. The other theory states that there really is something nasty to come in the economic statistics; and if there is, all bets are off.

Index fell 27.2 to 1762.9



B&C/Mercantile

On the face of it, Mercantile House shareholders have more to thank Quadrex Securities for than their own board. But for Gary Klesh stirring the pot, even though technically speaking a proper offer never emerged from his camp, British & Commonwealth would have had no need to increase its bid as it did yesterday. Mercantile directors, though, may have done nothing worse than play a poor hand of poker. They seem to have underestimated the strength of B&C's desire to buy the Oppenheimer fund management business and raise a substantial cash sum (from the sale of the rest of Mercantile) to buy out Caledonia Investments. And B&C's withdrawal of its bid on a Monday to reappear on the following Thursday seems to have been sufficiently frightening to persuade Mercantile to roll over and recommend an offer which, with the advantage of hindsight, turned out to be less than was really available.

Mercantile's explanation for its virtual silence between the receipt of the Quadrex conditional offer on Wednesday morning and yesterday's B and C bid—that there was a high risk of the US independent directors of Oppenheimer Management putting the management of the funds out to tender in despair at the public battle for control of Mercantile—carries some conviction. But it may be of little comfort to any shareholders who sold in the market unaware that a higher bid was under negotiation. Mercantile and its advisers judged at the time that it was better not to make an announcement or ask for a suspension of the shares. As it turns out, again in the harsh light of hindsight, that judgment is questionable.

Even at the new level of B and C's offer, which does not have the "final" tag attached, the deal should enhance the bidder's earnings in 1988. Depending on the sale price of the wholesale broking business, and by extracting some more from Credit Lyonnais for Alexanders Laing and Cruickshank, B and C will still be getting Oppenheimer on a multiple in the mid-teens. As for Quadrex, the profit on its Mercantile shares may not cover its expenses.

Oil price

In a confused stock market the oil sector has outdone most others for volatility. Having been one of the only risers in Monday's market fall, it was among the biggest losers yesterday. The sector was merely following the oil price. The earlier tensions in the Gulf which pushed that up were quickly overcome by the increase in production from some Opec states, notably Kuwait, which knocked it down again.

Unless there is a marked deterioration in the Middle East, it would probably be wrong to think that anything has really changed for oil. The increase in production is only a response to the sudden demand from countries and companies keen to stock up earlier than usual for the winter. There should be a corresponding fall in demand later—and that might even make it easier to hold the line at the December Opec meeting.

Borthwicks

It is extremely difficult these days to be even-handed with shareholders when it comes to releasing information. Borthwicks seems to have cracked it in choosing 5.58 pm on a Friday to announce that it may make little or no profit in the current year. That way all shareholders have an equal opportunity to agonise over the weekend, and none will have the advantage of dumping the shares first on Monday.

WEEKEND FT

Saturday August 8 / Sunday August 9 1987

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

Devils and death down the mine

Robert Graham investigates bleak prospects in Bolivia, where the tin mining boom ended bitterly in collapsed prices, huge lay-offs — and little hope

THE DEVIL was uncannily life size. He was fashioned from terracotta and he sat naked on a crude seat facing the central mine shaft. His legs splayed obscenely and he balanced his hands, palms upturned, on his thighs. Each palm was filled with yellowing coca leaves. Around his horns there were swathes of blue and crimson crepe paper. He smiled mischievously, and he looked made to enjoy the dark and dangerous world inside the mine.

One of the miners pushed a cigarette between the devil's lips in a peculiar gesture that combined both reverence and camaraderie. This was his "tio" or "fellow," as the Bolivian miners refer to the devil.

Bolivian miners are profoundly superstitious. They put great faith in a unique paleo-Christian trinity to help them survive in mining conditions that are among the most hazardous in the world. Inside the mine, each miner makes his own "tio." He also has his statue or picture of *Tatackac*, Our Lord, and La Pachamama, the Virgin. The latter are deliberately positioned higher than the devil who inhabits the bowels of the earth.

Since the riches of the earth are deemed to belong to "el tio," care is taken to appease him—especially with coca leaves, which the miners chew to ward off the effects of high altitude exhaustion and inhaling gases. In this way they hope to ward off bad luck. Normally bad luck comes in the form of accidents, but here, deep inside the *Cerro Rico* (rich mountain) of Potosi, the propitiations are against a bigger tragedy—the prospect of the gradual death of one of the world's oldest continuously worked mines.

Potosi is a victim of the collapse of the international tin market in October 1985, when prices fell 70 per cent. The Bolivian mines could not compete; with limited exceptions, they are still uncompetitive. However, it is not just this and other mines in the country that face extinction; the livelihoods of those who work them are at risk. More than 40,000 miners have lost their jobs in the state mining company, Comibol, and in the private sector. This is close to 80 per cent of all Bolivia's mine workers, decimating the strength of a trades union which has made and unmade governments, acquiring a near-mythical reputation as the most combative union force in Latin America. The unemployed miners account for over 2 per cent of the Bolivian work force.

"It's so quiet here: there are so few of us left," says a mechanic watching over the huge cable drum that controls the lift cage in the central shaft of the Cerro Rico. He waits, listening for the morse code, tapped out on a metal pipe, which signals a request for the lift from one of the 14 levels. The signal finally comes, and there is a sigh of relief at the resumption of activity as the lift cage disappears with a great whoosh of disturbed air—dropping 400 metres in a stomach-numbing 30 seconds.

"You should have seen the Cerro *before*," says Alberto Choque, one of the miners' leaders. "Before," for everyone in Potosi, means before the tin price collapsed. Comibol, which owns the Cerro rights, employed 2,215 persons, while up to 10,000 were mining in co-operatives or as illegal scavengers. At Potosi, Comibol now employs 387 in and outside the mine, and the number of private workers on the Cerro Rico is down to 2,000.

The Cerro Rico has been through more than one metamorphosis, and this is probably not its last. The mine lies high up in the rugged Andean *cordillera*, 500 kilometres south of the capital, La Paz. Its first known exploitation dates back to 1545. This was after the Spanish conquistador Pizarro defeated the remnants of the mighty Inca empire and moved south from Lake Titicaca along the line of the highland plateau, *altiplano*.

The Spaniards came across a literal mountain of silver. Its existence had been known to the indigenous population but, according to legend, the local Indians were told via heavenly portents to leave its exploitation to others. This was done in the name of the Spanish Crown—and the Catholic Church that "civilised" the native workforce. Such was the quantity of silver extracted that, purportedly, the Kings of Spain could have paved a road from the Andes to Madrid.

By the end of the 16th century, Potosi had become the largest city in the western hemisphere. Its population swelled to 150,000 as the silver began to be refined (from mercury brought down from Peru) and coinage minted. The size of Potosi was all the more remarkable given its huge distance from the sea—which distance also complicated the transport of the silver south, to Argentina—and the rigours of the climate.

Potosi remained the most valuable silver mine in South America beyond Bolivia's independence in 1825. Its importance began to wane, however, when nitrates were exploited on the Pacific coast. The city's fortunes revived when Chile rudely removed the nitrates — and access to the ocean — in Bolivia's hapless War of the Pacific (1879-83).

Landlocked Bolivia had to rely once again on silver — and Potosi. Luckily, when silver production peaked and prices tumbled, at the turn of the century, Bolivia could switch to another metal — tin. The advent of canning, in the industrialising world, provided a demand for tin which Bolivia had earlier ignored. Mining in the Cerro switched to tin and large deposists elsewhere in the Andean *Cordillera* were exploited. Bolivia became the world's second largest exporter of tin, after Malaysia.

The tin mining boom ensured that the bulk of the Bolivian population remained in the less accessible Andean region, to the detriment of exploiting agricultural resources in the less populated — and much larger — tropical and semi-tropical part of the country. The other effect was to permit the creation of large private fortunes like Hochschild and Patino, who formed an elite which ran this otherwise impoverished country.

The hegemony of these families and the miserable conditions of the mine workers were determining elements in provoking the 1952 revolution. The revolution led to the nationalisation of the mines, universal adult suffrage, and a de facto acknowledgement of the central role of the miners in modern Bolivian society.

"We thought we were indispensable, and went on working in the mines without realising the world outside could change so much," says Victor Villanueva, a driller who has worked 21 years with Comibol at Potosi.

The current Comibol management freely admits that the company was badly run, failing to note adequately that ores were declining in quality, that costs had risen, and that Indonesia and Thailand had superseded Bolivia in exports. Just before the crash some Comibol mines were producing at costs four times above the international price of tin. Meanwhile, as inflation spiralled, the company had no money for investment.

The chaos in Comibol was symtomatic of the more general economic anarchy in Bolivia during 1985, when inflation reached a dizzying 24,000 per cent. Into this environment stepped a new president, Dr Victor Paz Estenssoro. In his younger days he had been one of the key figures in the 1952 revolution that had nationalised the mines. Now aged 77, he espoused a kind of Bolivian Thatcherism to restore economic stability.

He launched his reform programme in September 1985, taking a huge gamble. An essential ingredient of his plan was to bring the trades union movement to heel; in particular, the miners. Plans were established for partial denationalisation of Comibol, shifting mines over to co-operatives and medium-sized private companies. Hire and fire laws were relaxed, and state involvement in such matters as miners' housing. Co-operative stores, schooling and health were reduced. The aim was a total off-loading.

The howls of protest might have gathered momentum had not the tin price collapse been so dramatic. As it was the Government had an opportunity to accelerate its plans to rationalise tin mining. Massive lay-offs had become inevitable — and readily explicable. For the first time a big protest at Potosi—a 27-day hunger strike by 350 miners inside the mine — achieved nothing.

In the past year there has been a remarkable change. Tin mining has become a ghost activity in Comibol. Indeed tin is almost only mined now in the private sector, where wages and costs are now enough to justify sales. The Comibol payroll has been cut from 27,000 to under 9,000. Those who lost their jobs have been paid off according to length of service with a maximum of about \$3,000 (against a minimum monthly wage of \$65).

"Many took the pay-off because they were told their jobs couldn't be guaranteed and next time round there would be no pay-off," says Victor Villanueva, who refused two offers to leave.

The pay-off was large in relation to weekly earnings. Protosi now has an excess of taxis but very few passengers. Some are reduced to giving lifts to friends to convey the impression of business. Others have taken up trips to the Argentine to buy contraband goods like cosmetics and perfumes, which are sold in street markets. Still others have been tempted to work in the huge illegal cocaine business.

The worst-off are those made redundant in the private sector companies and co-operatives. With no compensation or social security they have moved to the larger cities where they have formed pathetic refugee-like communities.

The shake-up has given a new impulse to the co-operative movement, with the more enterprising returning to old mines of tin and silver in the *cordillera*, or new gold mines lower down.

The miners that have stayed on at Potosi with Comibol are essentially those who have refused to accept redundancy. They regard themselves as a politicised hard core. Accepting redundancy seems a form of class betrayal and a rejection of everything they have achieved in the past.

However, this has not prevented realism from creeping in. "We are in a sort of war. We want to show the company that in the past it was badly managed and we can help make it work," says Victor Villanueva. Comibol is switching back to silver, this time silver concentrates. So, indeed, are all the co-operatives on the Cerro.

Victor Villanueva, who has the reputation of being the most experienced driller on the Cerro, has also taken matters into his own hands. He came across an old silver seam, abandoned 21 years ago, which some private miners had tapped into illegally. "I was so convinced we should be drilling there, I went up one night on my own and brought back some samples. They were first rate, and over the next five months I argued and argued with the company, including going to La Paz (Bolivia's capital) trying to persuade them to exploit this seam." In the end he wagered that, if allowed to work the seam for two months, if he failed to prove it was commercially viable he would resign without compensation.

He is working away at his seam now, the angry sound of his drill reverberating throughout otherwise lifeless galleries. He greets visitors with the grandeur of a host receiving guests invited to a banquet in an underground kingdom. "Come to my dining room," he says, removing goggles and rubber gloves. The dining room is a hollowed-out cavern. A dangerous hole in the floor leads to another gallery level. The table is a rock, the chairs a plank. Beside his chair is a picture of the Virgin. His *tio* is kept in its proper place, in a closet below.

Sometimes, when he smokes a cigarette, he gives one to his *tio*. And always, several minutes later, his *tio* has smoked his cigarette. No one can explain this phenomenon—except in the context of the strange environment of the mine, and the miner's belief.

Victor Villanueva is convinced that these rituals and beliefs give the Bolivian miner a special stoicism. Although in every sense an utterly pragmatic man, he has no doubt that he has been helped to find his silver seam. He knows, moreover, that he has found high grade ore; the silver even sparkles at the pit head in the light of his lamp.

It has taken him 35 days to prove his point that the Cerro has new life. Comibol is still cautious about the long-term silver prospects (or, indeed, the prospects for a tin recovery). In the meantime it plans to begin silver concentrate production in October. This, however, offers little comfort to the large numbers of jobless tin miners who have become the largest industrial casualty in Latin America.

The Long View

Old hands get set for a comeback

In the rip-roaring bull market of recent times, experience has been not just useless but even a positive liability for fund managers. But is the tide about to turn? asks Barry Riley

YOU CAN find them in almost every fund management office. The old ones—often the wrong side of 35. They probably wear single-breasted suits, live in Guildford, even have a touch of grey at the temples. And they have been miserable.

Until the past week or two, that is. The FT Index has lost the best part of 200 points since its mid-July peak, raising the possibility that the great bull phase is over, at least for the time being. Why would that make anyone happy? Well, the old ones are convinced that they will be able to outperform on the way down, whereas they have underperformed on the way up.

To the non-professional investor, this can seem curious. If you underperform in a bull market you are still, at least, making money. If you outperform in a bear phase you lose money, even if a little bit less than the next man.

So isn't it better to make a little than lose a little? Not at all. Professional investors don't deal in absolutes, they deal in comparisons. They revel in the language of medians, relatives and upper and lower quartiles.

In the end, a fund manager who is not performing better than the market is failing to "add value"—to use the jargon. In an increasingly performance-conscious age his failings will be exposed, and he could even be replaced by a computer programme which seeks to duplicate an equity market index by manipulating a statistical sample of stocks topped up, perhaps, by futures contracts.

For the old ones, a bull market can be cruel. The only gift brought by the advancing years is experience (I won't call it wisdom); and in a rip-roaring bull market of the kind we have seen (especially since the start of the year), experience is not simply useless but is a positive liability.

Every fund manager beyond a certain age bears the scars of 1974; and possibly of earlier crises, too. He learned lessons the hard way, about over-ambitious company managements, risky financing, vulnerable industries.

In difficult times, corporate inadequacies are exposed. Slap-dash takeover merchants find that the companies they have acquired are full of unforeseen liabilities and management problems. Temporary borrowing humps turn into liquidity crises that can only be corrected by means of enormous dilution of existing shareholdings. "Turnround" situations become "belly-up" situations.

None of this has been relevant in the past year or two, however. If a takeover has been under-researched, it probably just means that hidden goodies will be found, like pension fund surpluses. Indebtedness is no problem; cash in almost unlimited sums can be raised through the equity market for companies much less than top drawer, as this week's £837m five-for-two Blue Arrow rights issue has demonstrated.

When the asset markets are rising, especially when they are climbing as fast as they have been this year, mistakes become self-correcting and the crudest dealmakers can seem clever.

Perhaps bear markets should be consigned to the history books. It is as long ago as 1976 since there was a decent slump in UK equity prices, and that was corrected very quickly.

The old four-year market cycle, so familiar to 1960s and 1970s practitioners, has disappeared. There was a temporary setback in 1979, and others in 1981 and 1984, but they were no more than short-term corrections. The present equity market setback, by the way, is still much less than 10 per cent from the peak.

For 10 years in a row, the All-Share Index has been higher at the end of December than at the beginning of January. It has never paid to be cautious: to be underinvested has been wrong for a whole decade. And recently it has been terribly wrong to be cautious in choosing stocks. The big, solid companies have lagged badly behind.

DataStream's list of top-performing larger companies over the past year is full of obscure names like Southend Stadium and Eucalyptus Pulp. As for the fastest-rising small companies, you would never expect to have heard of Acsis Jewellery or Edenberry Shoes outside the tipsheets.

Maybe the bull market will indeed go on for ever. It can seem like that if you are 30. And it would be wrong to expect that history could repeat itself 1974-style. That was the kind of bear market that only happens twice a century.

Bull markets generate excesses which need to be corrected, though. The patterns are familiar: in his book The Money Game, published 20 years ago, Adam Smith drew on his experiences on Wall Street in the 1960s. He described his friend the Great Winfield, who suffered from much the same inhibitions from experience now being endured by senior London fund managers. The Great Winfield's solution was to hire three junior assistants, Billy the Kid, Johnny the Kid and Sheldon the Kid, and give them their heads. After all, it was a kids' market. (Another of Adam Smith's characters says: "It has gone from a garbage market to a kid's garbage market. Only the kids would buy this kind of garbage.")

The kids have been growing up in the past three weeks. The old ones, meantime, have been rcovering their self-confidence and reassessing their strategy. Has their time come at last?

They will need clear memories. It is all very well to outperform the indices on the way down. Plenty of fund managers did that in 1974, clinging smugly to cash and gold while share prices went on tumbling. But the only way that could be converted into enduring gains was to get back in near the bottom.

The lessons of 1974 were followed swiftly by those of early 1975. In modern conditions, with prices determined by like-minded institutional investors, the market turns almost instantaneously. Getting out may be relatively easy, but getting back in again at the right moment is another matter entirely.

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• MARKETS •

Hold on tight!

A SIX PER CENT drop in the market, with a dramatic one-day plunge in share prices, a base rate rise and some $4bn-worth of Transatlantic bids—it would be enough for investors to digest in a month, let alone a week.

Digestion may indeed be the problem. Rumours that a number of dealing rooms, already reeling under the impact of post-Big Bang competition and back office settlement problems, could face serious financial trouble if the bear wave continues, immediately revived.

Blame for the market's slump could be laid at three doors. First, overheating: worries that the surge in bank lending, booming retail sales and the size of May's current account deficit were all pointers to an import flood and an upsurge in inflation rates surfaced two weeks ago. Since then some more upbeat news — in particular, a comforting CBI forecast and, last week, an unexpected improvement in Britain's gold and currency reserves — failed to entirely allay them.

Even so, the rise in bank base rates *from 9 to 10 per cent* — designed, according to the Chancellor, to ensure sound monetary conditions — completely wrong-footed dealers. Sterling, after all, has weakened only slightly over the past few weeks and although an interest rate increase was always on the cards, the short sharp shock treatment was not expected.

Worse, it raised the inevitable spectre of a wave of poor economic figures next week. Monday sees producer prices, Tuesday balance of payments statistics, and Friday retail prices. Tuesday, however, will be the key; although the trade figures are invariably erratic, the pundits suggest that any current account deficit that exceeds £200m-£300m will be read as bearish. And until that is out of the way, no one expects the market's nerve to return.

But domestic worries were not the only cause for concern. Renewed tensions in the Gulf—in particular, in response to the Haj deaths at the end of the previous week — sent crude

London

oil prices higher in the early part of the week. Metal prices enjoyed a spin-off benefit and the likes of RTZ and Consolidated Gold Fields nudged ahead. This was corrected a few days later as news of Opec overproduction and a more realistic assessment of the supply position filtered through. But the *potential jitters remain.*

The third depressant is simply technical. Over the past two weeks, the market has been beset by over £2bn of cash calls —with the likes of Trafalgar House, Smiths Industries, Capital and Counties, and Thorn-EMI among the issuers. On Tuesday, it learnt of the biggest-yet: an £837m call by Blue Arrow, the recruitment group, to fund a $1.2bn bid for the much-larger US-based Manpower group.

All of this, according to brokers Wood Mackenzie, suggests that rights issues in the current quarter are set to total £5bn, twice the previous record seen in the second quarter of 1986. Add in the privatisation issues and September's second call on TSB shares, and the net supply of equities heads for £7bn.

The first major flop occurred on Wednesday. WPP, whose ambitious $566m bid for ad agency and PR group JWT was partly funded by a £213m cash call, saw only a third of the new shares taken up, leaving sub-underwriters to earn their success-related commissions. WPP itself got caught by a number of factors: share price weakness on rumours of client defections from J. Walter Thompson, the placing of a 7 per cent stake interest by Saatchi & Saatchi, the sale of nil paid rights on those shares and on part of the directors' stake, and the general market downturn just as the cash call closed.

But the subsequent sea of red ink suggests that—barring a sharp revival — underwriters may have more work to do. By Friday lunchtime the Blue Arrow price had slumped to 805p, 25p below the rights issue price. Even Trafalgar House was sitting at 373p, 15p below the level of the recent conditional placing and the price at which existing shareholders can claw back.

So where next? After the past 48 hours, only fools would put their necks on the block. Most analysts point out the abnormally high difference between gilt and equity yields.

The return on high coupon longs headed to 9.84 per cent after a 2½ point drop in bond prices following the base rate rise; equities average about 3 per cent. Stock-market progress, the analysts reason, will depend on how quickly the former ease back. And that brings everyone back to the trade figures.

In the midst of the weeping and wailing, however, the wave of Transatlantic purchases by UK companies continued unabated. Aside from the Blue Arrow deal which, given that the UK company came to the USM three years ago worth just £3.1m, must beat WPP for cheek — NatWest unveiled a $820m bid for First Jersey National Corporation; Hanson Trust made its long-predicted return to the acquisition trail with a $1.7bn cash deal for Kidde Corporation, a widely-diversified industrial conglomerate; and BTR eyed up Stewart-Warner.

Both Hanson and NatWest seem to have learned from previous poison pill tactics on Wall Street and built in "lock-up" provisions to deter counterbids. But any considered market reaction to both deals got swept away in the downwave. On reflection, both may get a modest thumbs up: Kidde appears to be the perfect vehicle for Hanson's "bid and disposal" style, with a heap of market-leader products but a dull earnings record and, analysts suspect, plenty of flab.

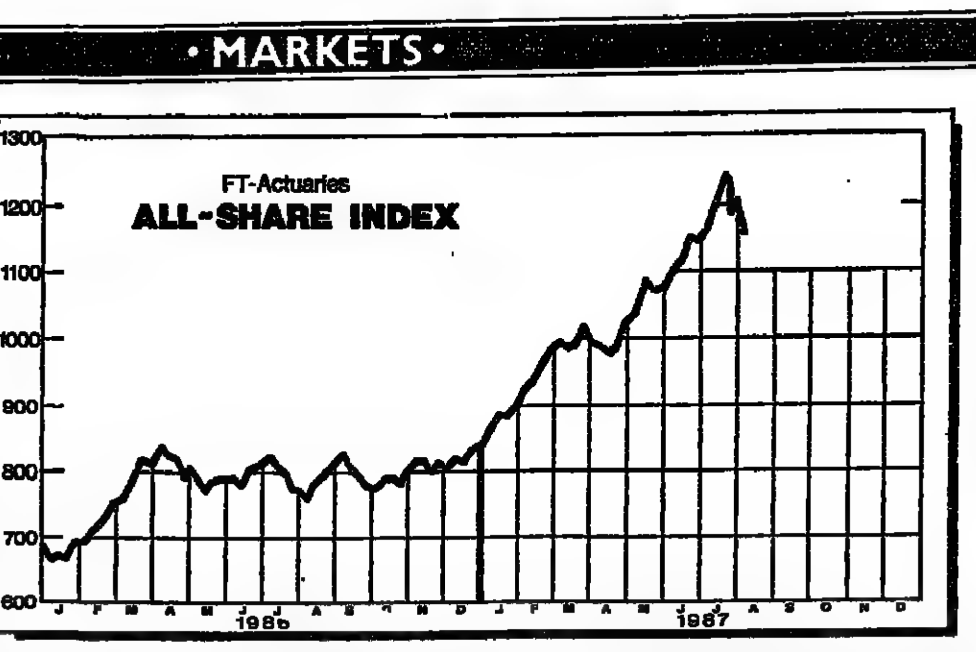
And First Jersey seems to fit well with NatWest's long-standing commitment to "super-regional" banking in the States, and earnings dilution from the First Jersey deal will be minimal at worst.

Back home, however, bidders ran into obstacles. British Airways learnt that it will have to plough through a Monopolies and Mergers inquiry in the attempt to secure British Caledonian, and, on Friday, Garry Klesch's Quadrex appeared to have haggled up the price British and Commonwealth must pay for Mercantile House by announcing its own counter-offer.

In theory Klesch himself—whose stake in Mercantile increased to 7 per cent this week —should have been a big winner. In practice the Mercantile share price, having jumped to 588p on news of the increased offer (which comes in a mix of ordinary share and convertible prefs) slid back to an unchanged 562p.

In these markets it seems everyone has problems.

Nikki Tait



Giving a lead to the big boys

FOR THE PAST few months the second tier has dramatically outperformed the main market, with the Datastream USM index, which only a year ago was not far above the 100 mark, hitting a peak of 227 in mid-July.

Some have seen the shift in investment fashion towards *smaller companies, and particularly* the recent activity in shells, as evidence that the bull market is in its final, most speculative phase. After long periods of sterility, stocks like Acsis Jewellery and Marina Developments have shown spectacular returns.

If the stock market has taken a turn for the worse, does that mean that the USM will inevitably follow? And given the recent outperformance by the second tier, will it show an equivalent underperformance in a bear market?

Not necessarily, according to Geoffrey Douglas, the leading USM analyst at Hoare Govett. "If investors are worried about a general fall in share prices," he says, "they are likely to sell their holdings in the most liquid stocks—those in the largest companies—first. They know that they might find it difficult to sell their holdings in smaller companies and this would have a disproportionate effect on the share price."

As a result Douglas believes that the USM, which tends to lag behind sharp movements in the main market, may well fall more slowly than the main market in a bear phase, although he has become increasingly concerned that some ratings have been pushed to unsustainable levels.

So far his theory seems to be borne out by the facts. The USM has fallen around 5 per cent from its July peak, against a near 10 per cent fall in the FTSE-100. On this week's "Black Thursday" when base rate was increased, the USM fell only half as much as the main market.

The advice from the experts is that investors on both markets will have to learn to be more selective. Fed by fat privatisation profits and tales of

Junior Markets

miraculous penny share stocks, shareholders have tended to lose sight of considerations like asset values and earnings in favour of "management situations."

In a bear phase, the more fundamental factors come into play and companies discounted as dull over the past few months could suddenly become popular.

Selectivity also seems to be important on the Third Market. A recent Peat Marwick McLintock survey found that while more than 150 companies had expressed interest in the market, only 22 had made it.

Peat Marwick believes that brokers are being cautious about backing companies because of the heavy responsibility placed on sponsors by the Stock Exchange. However, as the Financial Services Act comes into operation, more and more companies currently trading on the over-the-counter market are likely to switch to the third tier, and Peat Marwick believes that the Third Market roster could increase to 100 by the end of the year.

The takeover boom discussed in the last column threw up two interesting deals this week. The headline-grabbing bid was from USM graduate Blue Arrow, which only three years after joining the tier, valued at just over £3m, launched a $1.2bn bid for US employment agency Manpower.

But there was also the strange case of the bid that wasn't a bid. Ealing Electro-Optics has been in search of a new owner since Sleipner UK, a financial services company, acquired a 40.5 per cent stake from its old parent company, Ealing Corporation.

In July, Sleipner agreed to find a buyer at a level of at least 150p per share and one has duly emerged in the form of Sagemill, a private Guernsey-based company, which is offering 154p per share.

However, the prospects for the bid on the surface do not look propitious. EEO's share price at 213p is, even after the week's alarums, well above the offer and the directors do not intend to take it up in respect of the bulk of their holdings.

Sagemill is not dismayed. The three businessmen whose interests it represents will buy 29.9 per cent from Sleipner; the latter will retain 9.5 per cent; and institutions holding a further 32 per cent of the shares will back the new management. That represents around 70 per cent, more than enough to give Sagemill control, and the bid for the rest of the shares is merely being made to satisfy the requirements of the Takeover Code.

When the new management is installed it plans to expand on EEO's existing interests and build up a mini-conglomerate. Judging by the interim results announced by EEO this week, which showed a fall of a third in pre-tax profits, there is a lot of work to do. It will be interesting to see whether this "management situation" retains its recent share price strength.

Philip Coggan

PERFORMANCE SINCE July 16

The following table shows the change in the FT 30-share index and its constituents since last month's all-time peak. The FT-SE 100 share index is also shown.

	Price y'day	Change since 16.7.87	1987 High	1987 Low
FT Ord Ind	1,726.9	−199.3	1,926.2	1,320.2
ASDA-MFI	190	−28	226½	142½
Allied-Lyons	408½	−57½	471	317
BICC	372	−41	432	289
BOC	496	−60	559	370
BTR	300	−54	360	267
Beecham	541	−44	589	437
Blue Circle Ins	465	−97	579	335
Boots	289	−25	329½	229
Brit Gas 95p pd	174	−26	200	106
BP	373	−37	416	238
Brit Telecom	275	−25½	337	209
Cad Schweppes	252	−34	289	187
Courtaulds	455	−67	528	304
GKN	393	− 9	434	272
GEC	211½	−25½	251	184
Glaxo	£17½	− 1⅛	£18½	£10½
Grand Met	535	−59	605	439
Guinness	344	−32	389	264
Hanson Trust	180	−11½	192½	134
Hawker Siddly	548	−66	630	446
ICI	£15½	− ½	£15½	£10½
Lucas Inds	700	−86	795	465
Marks & Spncr	235	−37	280½	180
NatWest Bank	698	−91	794	536
P&O	678	−95	776	523
Plessey	192	−36	258	176
Royal Ins	533	−15	589	423
Tate and Lyle	839	−79	922	560
Thorn-EMI	650	−156	830	468
Trusthse Forte	249½	−27½	280½	179
FT-SE 100 Ind	2,226.2	−217.2	2,443.4	1,674.5

No let-up for holidays now

THERE WAS a time when the City slowed down in August, but the inception of quarterly reporting seems to have put paid to that.

Next week the quarterlies come in threes: a trio of composite insurers side by side with two giant and one medium-sized contender in the oil business. All the way round, the international ramifications vary from the merely complicated to the simply mind-boggling.

GENERAL ACCIDENT leads off the composites with second quarter figures Tuesday. GA has been characterised by relative strength in the US and relative weakness in the UK; this persists within City forecasts of £84.5m pre-tax for the first six months of 1987 against £48.4m last year, incorporating a 40 per cent climb to £66m in the April/June contribution.

GA's strength in UK motor insurance, where deterioration in claims is said to be running parallel to the benefit from higher premiums, is seen as "a bit of a millstone" by one analyst. In the context of profit expectations, this can be illustrated by second quarter hopes of £52m pre-tax, up 80 per cent, for **COMMERCIAL UNION** which is due to report on Wednesday.

CU is supposed to be getting its act together but the critics are still not convinced that it, unlike GA, has got the US right. Blame is not attached to the management. Rather, say observers, US legislators keep "moving the goalposts" where some claims and potential claims are concerned.

ROYAL INSURANCE seems to be the management in fashion. Not only is Royal, like CU, expected to produce an 80 per cent rise in second quarter profits to £105m pre-tax; but one fan also notes that the management, in the UK, has recently had management consultants in, "just to fine-tune what is already a well-regarded

The debit side for Royal is its big business in commercial lines in the US, but even here the fans like the way the company has shifted bonus payments to salesmen from volume criteria to operating ratios. Overall, the pundits claim that insurance results are predictable 18 months in advance and that the City is unlikely to be surprised by profits performance.

Among the oils, **ULTRAMAR**, with its second quarter net expected to rise to £18m, against £15.3m in January/March and a £13.1m loss in the second quarter of last year, is expected to provide the hors d'oeuvre to the main course which will be served up by the two majors on Thursday.

The broad story is that a higher oil price has improved "upstream" returns (profits from production) and impinged on the margins of "downstream" activities like refined products which have to take higher oil prices in as higher costs. An improving exchange rate for the dollar against sterling is expected to have reduced the impact of this on the second quarter.

Given the number of variables involved, a broad range of forecasts is available. These are extended further by the

Results due

analysts' habit of putting reported net profits up front, and subsequently saying that net income on the replacement cost basis is more relevant.

However, a fairly typical estimate for what has happened to date is that, for Shell, replacement cost earnings in the second quarter will emerge roughly around the level—£606m—reported for the first three months of this year. They could drop from £3.37bn to £2.4bn for the full year without disappointing anyone.

On the same basis BP could be looking at a figure around the first quarter's reported £324m, on the way to £1.2bn for the year, against £1.78bn in 1986.

Quarterlies are also expected next week from BOC (Monday) and Smith & Nephew on Wednesday; half year results come from Transport Development on Monday, and the Britannia Arrow Group on Thursday.

The diary of economic and political announcements is unusually full. They start with the final figures for June retail sales, and the producer price index for July on Monday.

The June balance of payments follows on Tuesday.

William Cochrane

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Babcock Intnl	310*	300	285½††	414.67	FKI Elec
Bipel	84†	72	70	16.80	CI Group
Celine Intl	254	253	248	25.02	Dubilier
Datron Intl	64.88*	63	48	9.73	Wavetek
Deritend Stamping	499§	533	443	26.32	Carclo Eng
Holden Hydroman	262§	290	215	10.13	BSA
Holt Lloyd	174	169	158	78.53	Morgan Crucible
Hunslet	615	620	485	7.38	Telfos
Jarvis (J.)¶	750*§	790	775	7.60	Brookville Secs
Kent (John)	120	113	105	14.40	Bodevco
Kleen-E-Ze	600*§	825	635††	16.32	[illegible]
Laidlaw	297½	290	214	25.41	Goode Durrant
Lewmar	125	132	140	29.79	Priest (Benjamin)
Lloyd (F. H.)	95	88	116	22.89	Triplex
Marina Dev¶	125*§	528	132	9.32	Clinthelme
Mayfair City Prps	235	215	233††	28.30	Rivlin
Mercantile House	600§	562	488	566.80	Brit & Cmnwlth
Miss Sam	207	188	192	33.12	Blacks Leisure
Mitchell Cotts	80	81½	71	77.06	Suter
Molins	300	306	245	87.94	Tozer Kmsly Mlbn
Octopus¶¶	440	450	430††	535.00	Reed Intl
Plastic Constructs	122½	125	126	6.89	Glynwed Intl
Reabrook¶	285§	290	234	21.37	Yale Catto
Riley Leisure¶	94½§	94	75	15.00	Midsmmr Leisure
Rohan Group	348	298	245††	43.60	Phoenix Prp & Fn
Ryman Group	192.95†	185	194	18.21	Pentos
Scholes (G. H.)	550†§	538	480	70.69	Delta Group
Sims Catering	165*§	328	145	6.15	Mr R. Randell
Stewart Wrightsn	585§	588	500††	258.34	Willis Faber
Stockley¶	143	163	124	339.88	Mountleigh
Stone Intnl	100½	103	154½	34.84	FKI Electricals
Stothert & Pitt	215	195	117	21.00	Hollis
Tech for Business	188	170	149	7.63	Comb Lease Fin
Wordplex¶	188	143	139	19.18	Norsk Data

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm prices 7/8/87. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ‡‡ Loan stock. ‡‡ Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
A & M Group	Jan	83	(704)	0.3	(0.7)	—	(—)
Dale Elec	May	1,100	(960)L	5.4	(—)	—	(—)
Dale Group	May	2,230	(1,600)	12.0	(8.1)	1.5	(—)
Dalepak	Apr	1,520	(1,030)	8.7	(7.6)	2.7	(—)
DSC Hldgs	Mar	249L	(62)L	—	(—)	0.5	(0.5)
Geevor Tin	Mar	39	(1,100)L	—	(—)	—	(—)
Huntingdon	June‡	5,660	(3,590)	0.5	(0.3)	—	(—)
Leisuretime Intl	Apr	887L	(467)L	—	(—)	—	(—)
Merrydown	Mar	1,270	(970)	22.3	(16.5)	6.0	(5.3)
Newmark Louis	Mar	1,040	(1,290)	21.2	(31.0)	14.0	(14.0)
Peel Hldgs	Mar	8,050	(6,350)	38.9	(32.9)	9.5	(8.7)
Platon Intl	Apr	892	(629)	19.5	(15.0)	3.4	(3.1)
Property Sec	Mar	5,610	(5,410)	5.5	(5.3)	3.0	(2.5)
Radiant Metals	Feb	208	(281)	—	(—)	2.7	(2.5)
Scot Eng & Euro	Apr	959	(1,240)	13.3	(17.6)	5.3	(5.3)
Tex Hldgs	Mar	309	(427)	—	(—)	5.0	(—)
Tip Top Drug	May	430	(1,280)	2.4	(4.0)	2.0	(2.0)
Unitech	May	13,580	(9,930)	—	(—)	7.7	(6.5)
Watshams	Mar	3,920	(2,620)	9.4	(7.9)	4.1	(3.6)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
AAF Invest	June	5,590	(2,340)	—	(—)
Berkeley Govett	June	6,890	(4,030)	—	(—)
British Airways	June†	90,000	(31,000)	—	(—)
British Alcan Alu	June	20,800	(17,400)	—	(—)
Britoil	June	186,700	(113,700)	3.0	(2.0)
Cannon St Inv	June	4,000	(675)	2.0	(1.0)
Ceeder Group	June	1,010	(376)	11.5	(6.4)
Cowie T.	June	6,570	(2,850)	3.0	(1.7)
Dares Estates	June	1,670	(163)	0.1	(—)
Ealing Electro	June	449	(680)	—	(—)
Electronic Mach	Mar	21	(18)	0.3	(—)
Fleming American	June	614	(656)	—	(—)
GKN	June	67,000	(73,700)	12.6	(11.3)
Hickson Intl	June	8,720	(6,990)	6.5	(6.3)
Indpndnt News	June	3,410	(2,490)	4.5	(4.0)
Ladies Pride	May	18	(13)L	0.5	(0.5)
Law Debenture	June	1,070	(952)	3.2	(2.7)
Molynx Hldgs	June	181	(160)	—	(—)
Noble & Lund	June	413	(344)	0.5	(0.2)
Rockwood	June	306	(42)	—	(—)
Rover Group	June	7,300L	(71,100)	—	(—)
Securicor	Mar	8,980	(7,310)	0.4	(0.3)
Security Serv	Mar	7,380	(5,830)	0.8	(0.7)
STC	June	77,200	(49,200)	2.2	(1.5)
TI Group	June	25,100	(15,310)	4.2	(3.6)
Wace	June	1,230	(841)	—	(—)
Yorkshire Chem	June	2,590	(1,400)	2.0	(1.5)

(Figures in parentheses are for the corresponding period.)

* Dividends are shown net pence per share, except where otherwise indicated. † First quarter figures. ‡ Figures for nine months. L Loss.

RIGHTS ISSUES

Blue Arrow have announced a £837m five-for-two rights issue.
Goal Petroleum have announced a £33m rights issue on a one-for-two basis at 90p.
Norfolk Capital is to raise £44.3m via a one-for-three rights issue.
Rockwood Holdings is to more than double its equity with a £16m three-for-two rights issue at 110p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Chesterfield Properties has announced a £29.1m issue of convertible cumulative preference shares, 30m new 5.25 per cent convertibles have been conditionally placed.
Corporate Estates Properties is to come to the USM via a placing of 2.81m new ordinary shares at 50p.
English China Clays has announced that it has raised £42m from its ADR issue. The group issued 2.8m ADR's at 24.5 dollars, each comprised of three ordinary shares and was based on a price of 510p for the ordinary.
Geest plans to raise £11.5m via a placing of 4.2m shares.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 27%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	3.70	3.76	2.79	2.02	monthly	1	—	0-7
High interest cheque	5.50	5.61	4.23	3.08	monthly	1	1,000-4,999	0
High interest cheque	5.80	5.93	4.46	3.25	monthly	1	5,000-9,999	0
High interest cheque	6.20	6.35	4.78	3.48	monthly	1	10,000-49,999	0
High interest cheque	6.50	6.66	5.02	3.65	monthly	1	50,000 minimum	0
BUILDING SOCIETY†								
Ordinary share	5.00	5.06	3.81	2.77	half yearly	1	1-250,000	0
High interest access	6.75	6.75	5.09	3.70	yearly	1	500 minimum	0
High interest access	7.00	7.00	5.27	3.84	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.65	4.11	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	5.84	4.25	yearly	1	10,000 minimum	0
90-day	7.75	7.90	5.95	4.33	half yearly	1	500-9,999	90
90-day	8.00	8.16	6.15	4.47	half yearly	1	10,000-24,999	90
90-day	8.25	8.42	6.34	4.61	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.00	7.30	5.50	4.00	yearly	2	5-100,000	30
Income bonds	10.50	8.04	6.06	4.41	monthly	2	2,000-100,000	90
Deposit bonds	10.50	7.67	5.78	4.20	yearly	2	100-100,000	90
33rd issue‡	7.00	7.00	7.00	7.00	not applicable	3	25-1,000‡	8
Yearly plan	7.00	7.00	7.00	7.00	not applicable	3	20-200/month	14
General extension	7.02	7.02	7.02	7.02	quarterly	3	—	8
MONEY MARKET ACCOUNTS								
Schroder Wagg	5.08	5.20	3.92	2.85	monthly	1	2,500 minimum	0
Provincial Trust	6.77	6.98	5.26	3.83	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75pc Treasury 1985-88	9.63	7.54	6.15	4.99	half yearly	4	—	0
10pc Treasury 1990	10.22	7.51	5.71	4.20	half yearly	4	—	0
10.25pc Exchequer 1995	10.31	7.54	5.69	4.15	half yearly	4	—	0
3pc Transport 1978-88	7.39	6.59	6.00	5.54	half yearly	4	—	0
2.5pc Exchequer 1990	7.18	6.45	5.96	5.55	half yearly	4	—	0
Index-linked 1990¶	6.79	6.24	5.88	5.58	half yearly	2/4	—	0

* Lloyds Bank. † Halifax 90-day; immediate access for balances over £5,000. ‡ Special facility for extra £5,000. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

DIVIDENDS ANNOUNCED

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Ailsa Inv. Trust	Monday	1.0	1.6	1.0
Ashtead Group	Tuesday	—	—	—
Beales, John	Thursday	1.3	3.4	1.5
BOC Group	Monday	4.4	6.4	5.1
Brunning Group	Monday	—	—	—
Estates Prop. Inv. Co.	Monday	3.0	5.5	3.0
Finlan Group	Monday	1.8	2.0	1.8
Gnome Photographic	Wednesday	—	6.5	—
Highgate and Job	Friday	—	—	—
LDH Group	Friday	—	0.5	—
McKay Securities	Wednesday	1.7	1.9	2.0
Nordic Inv. Trust	Thursday	—	0.2	—
Rodime	Thursday†	—	—	—
Saville Gordon, J.	Wednesday	0.4	0.8	0.6
Victor Products	Thursday	1.7	3.2	1.7
Wholesale Fittings	Friday	1.9	6.5	2.2
INTERIM DIVIDENDS				
Appleyard Group	Thursday	1.5	3.5	
Aspen Communications	Tuesday	1.3	2.4	
BBA Group	Monday	1.0	1.6	
Britannia Arrow	Thursday	1.8	3.2	
British Petroleum	Thursday	4.0	7.7	
Commercial Union	Wednesday	5.2	7.8	
Continental and Industrial	Tuesday	7.0	15.0	
F and C Enterprise Trust	Tuesday	—	0.1	
Foreign and Colonial Inv. Trust	Wednesday	0.5	—	
General Accident Fire and Life	Tuesday	10.0	18.0	
Heywood Williams	Thursday	2.7	5.0	
Jamesons Chocolates	Monday	2.0	4.0	
Manchester Ship Canal	Tuesday	—	6.0	
Metal Bulletin	Tuesday	1.6	3.1	
Relyon Group	Monday	1.3	2.8	
Rotork	Wednesday	2.7	3.8	
Shell	Thursday	13.5	29.6	
Smith and Nephew	Wednesday	0.8	2.0	
Spear, J. W.	Friday	—	6.0	
Transport Dev.	Monday	2.0	5.5	
Ultramar	Wednesday	2.0	3.2	

* Dividends are shown net pence per share and are adjusted for any intervening scrip issue. † Third quarter figures.

Here come the Brits

THE US equity market was its resilient self last week, shrugging off worries about oil and the Middle East and abandoning credit markets to their own dreary concerns. On Thursday, the day a rise in interest rates was wreaking havoc with stocks in London, the Dow Jones Industrial Average hauled itself up to a new record at 2594.23.

Five years into the bull market traditional explanations for stock price rises have worn away to nothing. Corporate earnings are rising, of course: in the second quarter after-tax profits rose 22 per cent over the 1986 June quarter, if one ignores the losses caused by huge provisions against sovereign debt at the major banks.

This is the first decent rise in corporate earnings since the middle of 1984, and there is surely more to come in the second half of the year. But the Dow seems to have discounted mere earnings growth, for it has risen 37 per cent since the beginning of the year. Heck —even the Nasdaq index of over-the-counter stocks hit a record on Thursday.

Most arguments for the continued strength of the equity market nowadays are variations on a theme of liquidity. As though the US monetary aggregates have now stopped growing, the financial system is still awash with liquidity from the period of strong monetary growth. Too much cash is being thrown at too few stocks. So prices rise.

Weight-of-money arguments are a convenient last resort when all else fails but it is worth looking at where the money is coming from. Ever since rising interest rates caused the market to stumble in April the traditional US investing institutions have been pulling in their horns. The mutual funds, college retirement funds and insurance companies have been quietly moving into interest-earning cash.

Many fund managers find themselves in the somewhat embarrassing position of holding 10 per cent oftheir portfolio in

Wall Street

cash while the stock market runs away from them. "The US institutions have been pulling back for the last 300-400 points," says Michael Metz, a strategist at the Wall Street firm of Oppenheimer. The market's rise in spite of this institutional shyness is one of the few encouraging signs around.

The engines of the market's rise since mid-summer have not been US institutions but US corporations and foreign investors, including proxies for the great British public. Since July 17 Coca-Cola, Merck, Philip Morris and American Express have announced large repurchases of their own stock. In truth US companies have been admirably consistent investors in the bull market, retiring their own equity at the rate of $50bn a year.

There is talk in the market of new funds for leveraged buyouts of $10bn-odd, which could gear up to retire another $100bn of common stock. "At 2600, the corporate buyers and entrepreneurs are even more active than at 1800," says Metz. "They buybacks and shrinks are going on more than ever."

Whether this means that corporate managers see earnings potential in their own companies that elude the professional money manager is open to question. The buybacks may just be more evidence that a lot of American industry, from oil to food manufacturing and insurance, is mature and still suffering from a surfeit of capital despite five years of corporate raiding.

The same question arises with the recent British descent on US companies. This week in New York was dominated by audacious bids for US companies, financed one way or the other from a brimming London equity market: Blue Arrow's $1.2bn offer for Manpower, Hanson's $1.7bn bid for Kidde, and the NatWest/First Jersey National merger, valued at [illegible].

It is certainly possible that these UK companies have discovered hidden values. As Sir Gordon White of Hanson, a value-oriented investor if ever there was one, put it: "We looked at masses of companies and found them all far, far too expensive." Hanson's US investments have proved successful so far.

But it is also true that many UK companies have reached the limits of their home expansion. A multiple of 18 times earnings and 2.5 times book value would not buy NatWest the likes of First Jersey National in the UK. There is no First Jersey National in the UK. And it is so easy to raise capital for US acquisitions that the temptation to pay over the odds must be irresistible.

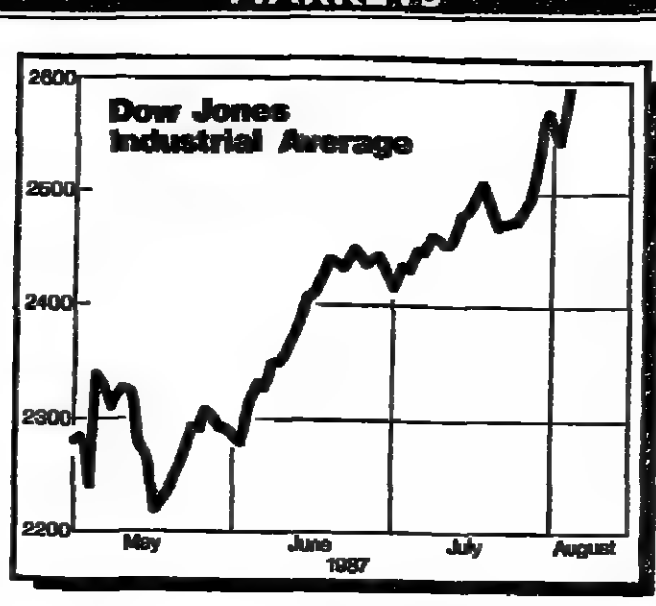
Whether these acquisitions will have been worthwhile, only time will show. A recession, or a rise in interest rates, will make last week's multiples look impossibly costly and there may not be translation profits from an appreciating dollar to shelter the damage this time.

By the end of the week, London, at least, was beginning to curse all these US ambitions. Since London, unlike New York, is in the mood to follow credit markets, the dramatic rise in base rates sent the stock market into a spin and left underwriters sitting on a lot of US acquisition paper.

The Sock Shop bid for Sears Roebuck has, no doubt, gone on hold. But there are still West Germans to buy US equities. And Swiss. And Japanese.

MONDAY	2557.08	−14.99
TUESDAY	2546.72	−10.36
WEDNESDAY	2566.65	+19.93
THURSDAY	2594.23	+27.58
FRIDAY		

Jamie Buchan



It's up to the dollar

TAKEOVER FEVER has been sending the Amsterdam stock exchange to record highs nearly every day for the past two weeks and there is little reason to believe the lively summer rally will end soon.

"Cucumber time," as the Dutch call the silly season, is often a slack period for Amsterdam and other European bourses, but this year has proved different. Takeover battles plus a firmer dollar have drawn fresh interest from abroad while rekindling buying at home. Recent second-quarter results also have fuelled demand.

The ANP-CBS General Stock Index remained at its record high of 32[illegible].50 yesterday, the same level as the day before in a mixed market. What was clear, however, was the nervous speculation that continues to surround the publishing industry. Wolters Samson's takeover of Kluwer, a larger competitor, could fall through if all the Kluwer shares purchased fail to be delivered because of trading irregular[illegible]. Elsevier, meanwhile, is being stalked by Robert Maxwell.

In the background are persistent rumours that KLM Royal Dutch Airlines wants to acquire Nedlloyd, the Dutch shipping and transport group, in spite of firm denials by KLM.

The Amsterdam Bourse has enjoyed a steady climb since June when market sentiment took a clear turn for the better. During the first half of the year the market was bogged down by worries over deteriorating corporate profits and the Netherlands' worsening trade position, not to mention sluggish economic growth.

For the past two months, however, the hostile takeover battle for Kluwer has atracted tremendous attention at home and abroad because of its novelty and the high quality of the companies involved. Unfriendly takeover bids are virtually unknown in the Netherlands because of watertight defenses commonly used by companies to protect themselves against unwanted raiders.

Elsevier's contested tender offer for Kluwer, its smaller rival, broke the taboo against such attacks and raised the spectre that more hostile offers could follow. There are solid arguments—some put forth by the bourse itself—that more mergers, including contested ones, could be good for the corporate community.

Elsevier appears to have lost out in the battle for Kluwer—although the situation remains muddled—and is now the object of friendly attentions from Maxwell, chairman of British Printing and Communications Corporation. A merger between Elsevier and BPCC—not outside the realm of possibility—would create a world power in scientific journals and other publishing and broadcasting media.

Wolters Samson appeared to have won control of Kluwer but faces the possibility that some short sellers may be unable to deliver the stock because the supply ran out amid rampant speculation, which jacked up Klumer's share price by an astronomical 600 per cent this week to Fls 3200 from Fls 450. If short sellers cannot cover their positions and deliver the stock then Elsevier may end up with more Kluwer shares than originally thought and control of the company.

On another front Nedlloyd has continued to climb despite KLM's denial of takeover plans, suggesting that the market is skeptical. Speculation had centred on the good fit between the two companies' air transport activities.

The market's continued optimism contrasts sharply with a sombre assessment this week of the Dutch economy from the Organisation for Economic

Amsterdam

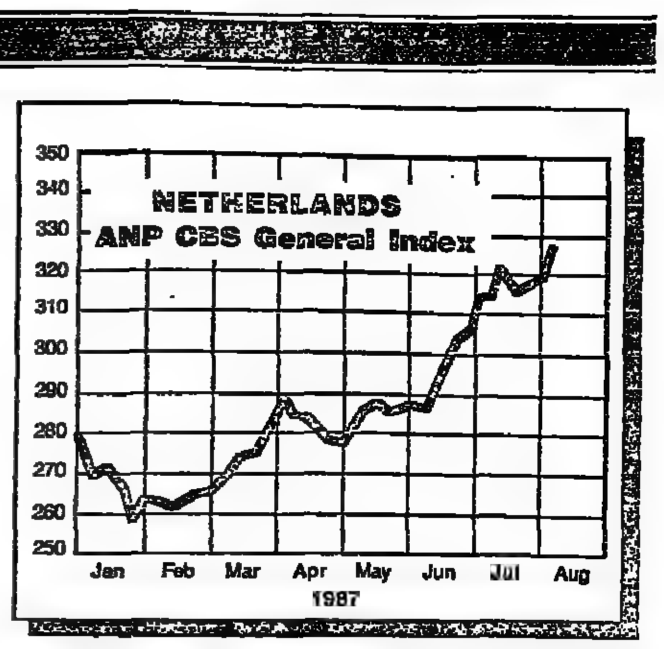
Co-operation and Development (OECD), which forecasts that corporate profits would erode this year and next as the strong guilder and rising unit-labour costs hurt international competitiveness.

But investors are brushing aside those economic fundamentals and focusing on such others as the stable dollar, which favours Dutch companies because of their large operations overseas.

International concerns such as Philips, Akzo and KLM, plus the powerful insurance sector, all benefit from a stronger dollar. Even many middle-size companies such as Oce-Van der Grinten and Wessanen have significant foreign activities and stand to gain from a higher US currency.

For the rest of the year the Amsterdam Stock Exchange could continue to climb, though perhaps at a slower pace, according to analysts. The main factor is the dollar: if it stays up so will the market; if it falls, the bourse will do likewise.

Laura Raun



Oils join the slippery slide

IF AT THE END of last week the oil market had seemed resigned to war in the Middle East, this week proved it more suggestible and jumpy than ever.

Without anything actually happening to tankers in the Gulf, oil prices were marched smartly up and equally smartly down again as traders first lost and then rediscovered their nerve. By Friday the comforting thought had been reinstated that even if oil supplies from the Gulf were disrupted, the west, with its ample supplies of oil, could manage quite nicely.

However, the market has not quite come full circle, and over the last day or two a new worry has emerged: while tensions in the Gulf have prompted fears of a supply crisis, the paradoxical effect has been to create something nearer to a glut of Middle East oil. Opec members, unbearably tempted by the high prices that they can get for their oil, are producing at levels well above their quotas. The latest estimates put production at almost 19m barrels a day, well above the 16.6m quota.

Oil shares have taken this genuinely depressing fact to heart, and on Thursday and Friday did more than their bit for two of the stockmarket's worst days on record.

Investors who want to shut their ears to all this random noise are finding it fairly difficult—and the stream of company announcements has been getting lost in the uproar. The most surprising news of the week was British Gas buying control of Bow Valley Industries, one of the biggest oil companies in Canada.

The market knew that British Gas had money to spend and the desire to spend it, and was wriggling with curiosity to see what it would buy first. The utility had already made clear that it wanted to get back into the oil business—from which it was forcibly separated when the Government made it float off its North Sea interests into Enterprise Oil.

However its decision to make its first move overseas came as

Resources

a surprise. Even though one of Bow Valley's best assets is a stake in the Brae field in the North Sea (a field which is at the heart of a controversial plan to build a new gas pipeline), the acquisition was not, as some suggested this week, a roundabout way of getting a strategic North Sea foothold.

British Gas evidently wants to expand internationally, and Bow Valley is its chosen vehicle. Even though the deal is likely to cost British Gas more than £600m over the next three years, the immediate financial impact on the company—now worth well over £8bn—will be slender. However, the longer term implications are important: they signal British Gas' eagerness to go out in pursuit of assets.

Some analysts regard the Bow Valley deal as putting the company on the way to becoming a mighty international energy group rather than a UK gas utility. "This is the first in a series of steps which will establish British Gas as a truly integrated energy business, on a global scale," was Hoare Govett's interpretation of the move.

There could be a few problems in the intervening period. David Grey of James Capel is unsure about the ability of Bow Valley — which is used to spending about C$200m a year —to make good use of the C$1.2bn which British Gas plans to throw at it. "There is a big danger in giving money to a company that it [illegible] used to spending it," he said.

Even though British Gas will have a majority of seats on the Bow Valley board Grey notes that a similar representation by BP directors on the board did not stop Standard Oil squandering its revenues from the Prudhoe Bay field in Alaska on dry holes, poor oil acreage and a disastrous copper venture.

Next week the focus of attention will switch from British Gas to the other two giants in the sector, BP and Shell, both of which are due to announce results for the second quarter. The market has become such a firm fan of the majors this year that even the prospect of indifferent downstream earnings in the second quarter is not likely to do much damage to their standing.

In the case of BP, more scrutiny will be given to the dividend than to the margins that it has been making at the petrol pumps. While left to its own devices BP would probably go for a modest increase in the dividend, the market is hoping that a more generous rise will be doled out to smooth the daunting sale of £8bn of BP shares this autumn.

Lucy Kellaway

Will mortgages go up again? asks Hugo Dixon

Rates riddle throws market into chaos

THURSDAY'S rise in bank base rates from 9 to 10 per cent has thrown the mortgage market into confusion.

The unexpected move, which also caused a record daily fall in the broad FTSE-100 share index, caught Halifax and Abbey National, the two largest societies, on the wrong foot. Only the day before, Halifax had announced that it would be cutting its mortgage rate for existing borrowers from 11.25 per cent to 10.8 per cent on September 1. Abbey decided to cut its rate to 10.5 per cent last week.

Halifax decided yesterday to cancel the rate cut for existing borrowers, which had yet to be implemented, and to push up the rate for new borrowers to 11.25 per cent. Operations director Jim Birrell said the bank rate increase was a "clear sign the authorities don't want to see lower mortgage rates."

One thing is clear: the nature of the mortgage market has changed dramatically

He added that the rate would probably stay at 11.25 per cent unless base rates went up again.

At Abbey, no decision has yet been made. "It may be we put the rate up," said general manager John Bayliss. "It may be we will make a commercial decision to stay where we are *and pay the costs for a few* months."

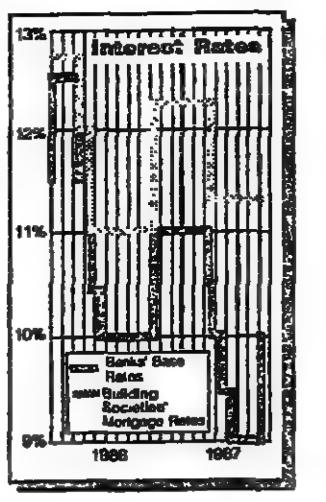
Other societies, most of which have kept their rates at 11.25 per cent since the beginning of May, are less embarrassed. Tim Melville-Ross, chief executive of Nationwide, the third largest society, who last week described the Abbey's move as "barmy," said on Thursday: "It's not terribly wise to try and set rates so far in advance."

Amid all the confusion, one *thing is clear*: the nature of the mortgage market has changed dramatically.

In the past, when societies were the unchallenged leaders of the market, they fixed the mortgage rate through a cartel. Rate changes were rare and the whole industry charged a uniform rate.

But in the past few years banks and specialist mortgage lenders have entered the market, providing competition to societies. This year they have been particularly aggressive, building up their market share, undercutting the societies and taking away some of the best business.

Most societies have been slow to react, because they have *been competing with one hand* tied behind their back. The other players have been able to borrow money from wholesale financial markets, whereas societies are forced by law to raise most of their money from small retail investors. In recent months retail money has been



considerably more expensive than wholesale money. This has made most societies unwilling to cut mortgage rates, for fear of running at a loss.

But Abbey's Bayliss says societies must not lose the initiative in the mortgage market. "Armageddon is round the corner and the other societies haven't seen it coming. The new game is competition in the mortgage market. If building societies lose their market share, they are dead."

This is why Bayliss says he has no regrets about cutting the rate to 10.5 per cent and why he may be prepared to keep it there, even if that means running at a loss for a few months. Since Abbey cut its rate for new borrowers on June 18—the rate cut for existing borrowers was announced later—Bayliss says it has been taking in an extra £30m a week of "good quality mortgage business."

The emphasis on high quality business highlights the sea-change that has taken place in Abbey's attitude—if not those of other societies—in response to the new competition. In the past, it used to stress the importance of helping first-time buyers and even charged higher rates for large mortgages.

Now Bayliss says: "We're *only allowing our* branches to take on good quality business. We're not taking rubbish on ever again."

By good quality business Bayliss means business from second-time buyers who already have equity in the houses, people in their early middle ages with good incomes and young professional first-time buyers. It makes good commercial logic to go *for these* groups, but there is a danger that, if this trend continues, non-professional first-time buyers will find it increasingly difficult to buy their own homes.

The effect of the base rate rise on the rates building societies pay investors will depend largely on what the banks do and what happens to the stock market.

It might be thought that investment rates should auto*matically go up in tandem* with the base rate increase. However, the rates societies are paying would be still higher than the 10 per cent base rate, if tax was not deducted. They will not be keen to raise them any further unless they have to.

The main thing which could force them to do so would be

Rates for investors will depend on the *banks and what* happens to the stock market

the banks increasing the rates they pay on their high-rate deposit accounts. Societies would have to increase rates in order to attract sufficient retail deposits.

On the other hand, if the decline in the stock market proves to be more than a tech*nical correction in a continuing* bull market, small investors might get scared; and as they liquidate their equity holdings, building societies would find themselves swamped with retail deposits. They would then be able to pay lower rather than higher investment rates.

Investment bug is spreading, says Nikki Tate

Share clubs boom

AT HEATHROW airport's Terminal Four, the back pages of the Financial Times are hot property. Airshare Investment Club is checking its portfolio.

It all started when nine friends, relatives and work*mates found themselves* with £50 in hand as a result of the British Gas share issue. Caught by the share-punting bug, they decided against splashing out their winnings. Instead, the money was pooled and ploughed back.

With the help of two tip-sheets, this informal group struck gold. Its initial portfolio took in three stocks—Associated British Engineering, Phicom and Owners Abroad. Having shown steady gains at the start of the year, the portfolio's value leapt 33 per cent between May 13 and 15.

By then, more people had joined the group, the portfolio had swollen to a couple of thousand pounds and the originators were, frankly, worried. "We'd seen something about an investment club manual and thought we had better put things on a more sensible footing," recalls George Wood. So the portfolio was wound up — giving each of the initial entrants £101.67 — and Airshare was formed.

The likes of Airshare are springing up all over the place. The National Association of Investment Clubs now has 1,253 clubs affiliated — almost double the number a year ago. The new arrivals, it says, have come from all over Britain, with Scotland and Yorkshire showing every bit as much interest as the seemingly more prosperous south.

The idea is not new. The earliest investment club on record cropped up in Texas in 1898, and back in the mid-forties the "founding father" of the American movement, Frederic Russell, set up the Mutual Investment Club in Detroit. The notion was imported in Britain in the Fifties and Sixties—only to be clobbered by the stock market collapse early in the Seventies.

Now, though, with privatisation issues fostering a wave of small shareholder interest, clubs appear to be back in fashion—and, from a practical point of view, look more appropriate than ever.

Technically, there are two possible ways of forming a club—either as a partnership, or as a company in which the various investors hold shares. In general, the former course is far simpler and less expensive—but it does prohibit membership extending beyond 20 people.

It also poses an additional problem: in whose names should the shares be registered? Unlike a company, a partnership cannot legally be registered as the owner of shares. So, the normal courses are either to appoint a couple of trustees and register the club's holdings in their name, or to ask a stockbroker or bank to arrange a nominee facility.

That aside, however, the formation of a club—given willing participants—is relatively little trouble. And the whole procedure is made light-years easier by an extremely comprehensive *Investment Club Manual*,* published by the National Association of Investment Clubs, which sets out draft rules, draft constitution and so on.

A certain amount is simply personal choice: Airshare, for example, prefers to allow members to buy "units" in the portfolio as and when they wish rather than requesting regular monthly subscriptions. Somewhat ingeniously, it also decided to accept privatisation shares as payment in kind.

The common problem of needing to make fast decisions—rather than always waiting for a monthly meeting of all members to be called—was solved by appointing a three-person executive committee.

However, the timeliness of the investment club resurgence is due largely to rising dealing costs. As brokers battle against *backroom settlement problems*, the tendency is to deter small investors by raising minimum commission charges. At £20 a throw, punting small sums becomes uneconomic—as many people, trying to sell their 100 BAA shares, found to their cost. The combined resources of a club mean that charges bite less heavily into the potential profits.

The biggest problem most clubs seem to cite is lack of investment information—often driving them towards tip-sheets and penny share guides. In most cases, even the combined resources of, say, 20 members still make the account small fry for most brokers. Dealing, yes; lengthy advice, no.

Still, that is a universal small investor headache. And numbers, it seems, do bring courage. Asked if they could have gone ahead with similar investments on their own, members of Airshare confess to a reluctant no.

**The National Association of Investment Clubs Ltd, Halifax House, 5, Fenwick Street, Liverpool, L2 0PR; price £7.50 (including postage).*

BES starts to pay off

AT LAST, after years of waiting, BES investors are starting to get some idea of the potential returns on their money.

BES acquisitions face two hurdles. The first is that a BES company cannot become a subsidiary of another company during the first three years of the scheme. The second is that investors must hold on to their *shares for at least five years in* order to keep their tax relief.

Until now, because of the five-year rule only the occasional failure and badly-constructed prospectus have served to illustrate the riskiness of BES investment. But over the past week offers for two companies were made, giving investors the chance to realise their holdings.

Publishing Holdings surmounted the five-year problem quite simply when it bought *Investors Newsletters—the pub*lisher, appropriately enough, of the BES newsletter. It paid a hefty premium—38.5p against 15p—over the price at which the BES shares were issued originally.

Although the shareholders lost their tax relief, their investments still achieved a 157 per cent return in just under two years. And if the tax advantages persuaded them to put their money into Investors Newsletters in the first place, then perhaps the company, and therefore the economy, benefited at no eventual cost to the Treasury.

That, at least, is the picture on the surface. But whether other buyers will be as willing *to pay such a high premium for* a BES company must be uncertain. Investors Newsletters made a pre-tax loss of £190,000 in the year to November 30 1986, and that makes the offer from Publishing, which already had a substantial shareholding in the company, look rather generous.

A quite different approach was open to Kennedy Brookes, the restaurateur and hotelier, which bought Black & Edgington this week. B & E was one of the first investments made by the very first BES fund, the CAVE fund run by Capital Ventures, shortly after the BES was established.

Black and Edgington, which was a management buyout *from* the Hawley Group, had therefore passed its three-year qualifying period and could become a subsidiary of another company. Kennedy Brookes, therefore, is making a seven-for-two share offer with a cash alternative of £12.60 a share.

However, most BES investors will want to hang on until the five-year period is up and keep their tax relief. So, Kennedy Brookes has said it will make a second offer — after April 6, 1989, when the five-year period is up—at a cash value of at least £13.50 a share.

This will represent a nice profit for BES investors; they paid £4.55 gross a share originally, which for a 60 per cent taxpayer comes down to £1.82 a share.

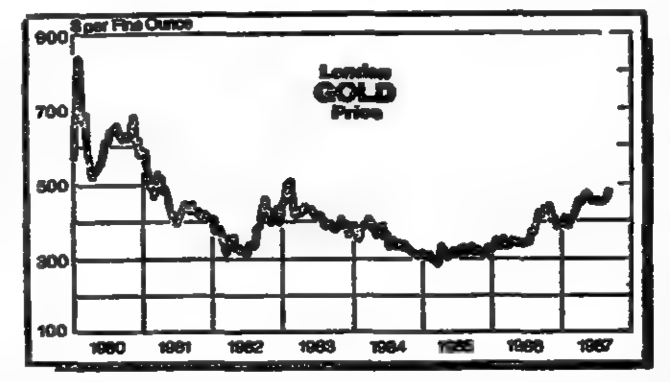
Capital Ventures also had news this week of the very first investment it made under the very first Business Start-Up scheme, the precursor to the BES. It invested £60,000 of the Basildon fund in a company called Sinclair International (nothing to do with the inventive Sir Clive, but a company which applies labels to fruit).

Investors in Industry (3i) is *now buying the fund's stake at* £2 a share, compared with the original price of 50p. So, 60 per cent taxpayers would effectively have paid only 20p for their original stakes and thus have multiplied their investments tenfold.

More BSS buyouts are expected to be announced shortly by Capital Ventures, but this week's deals illustrate the dramatic profit potential created by the gearing effect of the tax relief.

Philip Coggan

Gold funds lead the way



GOLD FUNDS were once again the top performers among unit trusts last month. Together with commodity and natural resources funds they also led the field for the past year, according to Opal Statistics.

This week the gold price has moved further ahead, touching $477 an ounce at one stage, close to the highest levels for four years. However, the price fell back as fears eased over conflict between Iran and the USA.

Analysts and traders are forecasting that the upward trend will be resumed and that the $500 mark will trigger a further surge.

MIM Britannia say that tension in the Middle East and London stock market jitters have encouraged investors to turn to more traditional assets and buy *heavily* into their commodity based unit trusts. Sales of its Gold Trust exceeded £5m in the first two days of the week.

While gold funds have been booming, unit trusts investing *in Japan—at one time the high* flyers—were among the worst performers.

The contrast between the two sectors over the past year is neatly demonstrated by Gartmore, whose gold fund was the third best performer with a gain of 172.76, while its Japan fund during the same period shrunk in value by 16.64 per cent.

Over five years the top 25 funds are dominated by special situations and smaller companies unit trusts, with gilt and fixed interest trusts accounting for the worst-performing funds. Gartmore *International Fixed Interest* was bottom of the table with a rise of only 41.91 per cent in the five-year period.

Planned Savings estimates that so far this year only 21 funds, of a total of 987 (which has now gone up to 1,090) failed to make some sort of gain for investors. However, only 38 per cent outperformed the FT Actuaries All Share Index.

John Edwards

Property offer

A RIDE on the residential property boom is on offer from Scandinavian International Property Holdings (SIPH). It is an unusual offer, in that the fund's income will be derived from the sale of developed properties rather than from letting them out.

The idea is that rundown residential properties will be bought in central London or East Anglia for refurbishment and sale to owner-occupiers.

SIPH will be doing on a larger scale what private individuals have long been doing, or at least talking about, on the basis that if prices are rising at 20 per cent a year nothing much should go wrong.

Staffan Gadd, the Swedish banker who has made much of his career in London, including a spell as chairman of Samuel Montagu, is sponsoring the scheme. His company Saga Securities is offering shares in SIPH, *with a minimum* subscription of 100 ordinary shares at a cost of £10,000.

Subscriptions have already passed £5m, the level at which the company would be brought into operation. An initial stake of £1m has been taken by Nyckeln Finance, the British subsidiary of Nyckeln Holding, the Swedish finance house. When £20m has been subscribed the books will close.

But only 10 per cent of the subscription money is going immediately into the property operation. Most of the initial capital investment of the subscription will be put into international securities—Triple A *bonds, for example.*

This, Gadd suggests, will ensure that investors will get their money back. The return on those investments would be ploughed into the property.

But SIPH does need to get started in property, so 10 per cent of the subscription will be held back.

The property investments would be made through subsidiaries, each of which would normally own only one at a time. No single property would involve a financial commitment of more than £900,000, including renovation costs.

The success of the scheme is going to depend to large extent on Scandinavian Property Services (SPS), classified in the prospectus as the property adviser of SIPH, which specialises in the purchase and conversion of unmodernised property.

Two directors of SPS, Johan Zetterberg and Per-Arne Johansson, own another company called *Toga, which holds* shares in SIPH. They are classified as individual founders of SIPH.

SPS has a profit-sharing arrangement with SIPH on the latter's property investments and where *it is not involved in* a sale is entitled to receive a fee for any refurbishment work it undertakes, plus 1.5 per cent of the gross purchase cost for its part in identifying and acquiring properties.

The link with Nyckeln goes further than shareholdings. The Swedish company is prepared to loan a minimum £15,000 at 2.75 per cent above the Lloyds Bank base rate to those wanting a loan to buy shares in SIPH.

SIPH is promoting itself as a long term investment—the life of the company, incorporated in Bermuda is set at 10 years. It does not expect to make any dividend payments until 1989.

Once into SIPH it could be difficult to get out. At some stage in the future the shares could be listed in Luxembourg, but, until they are, Saga Securities will seek to match buyers and sellers.

Paul Cheeseright

Eric Short reveals the confusion surrounding the introduction of voluntary pension contributions

Taxman scuppers freedom of choice

IF YOU were looking forward to making your own plans for boosting the benefits from your company pension scheme, then you are in for a big disappointment.

You might have believed the Government was keen to promote the concept of wider pension ownership. After all, this is what the new-style personal pensions are all about.

Nobody, however, seems to have told the Inland Revenue.

It was Nigel Lawson, the Chancellor of the Exchequer, in his Budget speech last March, who suggested that employees would welcome the chance to make their own individual "free standing" AVC (additional voluntary contribution) arrangements, quite apart from existing and well-established company-sponsored AVC schemes.

At the same time, though, he made AVCs less attractive by removing the means to take the benefits in cash. This cash element must now come from the main company scheme.

The latest blow is that the Inland Revenue, by sticking to its rules on benefit limits, has ensured that the proposals for Free Standing Additional Voluntary Contributions (FSAVCs) are virtually unworkable.

A couple of weeks ago, the Superannuation Funds Office (SFO) of the Inland Revenue, the body responsible for giving tax approval to all pension arrangements, issued its draft rules for the operation of FSAVCs. They confirmed the worst fears of the pension industry.

AVCs, in themselves, have been around for a long time without causing many problems, mainly because the arrangements had to be made through the main company scheme and were thus under the control of the employer.

With FSAVCs, the employee goes off and makes his own arrangements with a life company or any other provider. And although you can effect only one AVC contract at any particular time, there is nothing to stop you going to a different provider every year.

So what happens if you want to take out an FSAVC? You approach a life company. Here you come up against the first obstacle—the contribution limit imposed on FSAVCs by the Revenue.

The total amount of contributions you can make to all pension arrangements, including the main company scheme, is 15 per cent of earnings.

Under a company AVC arrangement, your employer knows what you are paying to the main scheme, so it is relatively easy for him to check out that you do not exceed the contribution limits.

With an FSAVC, though, the Revenue does not trust you to keep within the limits. Instead, you must produce your latest form P60—if you know what it is and where to find it—and the life company will write to your employer to check on pension contribution details.

Your employer will be asked not only what you pay but if he has supplied this information to other pension providers.

The Revenue is making sure that you do not try to pull a fast one by taking out schemes with different providers in successive years in such a way that you go over the limit.

Your employer is not going to be pleased to have this extra work burden imposed on him, especially if at the outset he has to supply you with a duplicate P60.

However, this work load on your employers is minimal compared with that involved in monitoring the second Revenue requirement.

The employer will also have to verify that the combined pension from the main company scheme, together with any benefits from the pension schemes of previous employers, plus also the pension bought through the AVCs, does not exceed the benefit limits (a pension of two-thirds of final earnings for 40 years' service and lower amounts for shorter service periods).

Again, the Revenue does not trust you to keep within this limit and perhaps this is just as well.

The rules state that a FSAVC must be on a money purchase basis (benefits cannot be linked to salary, as they are with most company schemes). Your contributions are invested and the accumulated cash used to buy a pension.

Volumes have been written on the dangers of making forecasts of the amount secured on any savings contract, particularly those involving with-profits policies which require estimates of future inflation and investment returns. The unit trust industry has refused consistently to give estimates of future returns.

The Securities and Investments Board (SIB) is setting out strict methods on how to illustrate benefits on personal pensions, and is allowing only the life company or other provider to make the quotation.

Yet, the rules put forward by the SFO require your employer to provide a certificate stating in money terms the maximum contribution. This involves him in making these quotations involving forecasts for the future about which the SIB is so wary.

The SFO has a basis of calculation used for money purchase company schemes—but this is on a different basis entirely from that proposed by Lautro, the industry's regulatory body, for personal pensions.

Your employer is going to get these scheme's actuary to do the calculation and one thing is certain about actuarial advice—it is expensive.

So, unless your employer is ultra-benevolent, he will charge you for this certificate—after all, you could always use the in-house company scheme AVC instead (the introduction of FSAVCs has not removed the legal requirement for all company schemes to provide an AVC facility).

The snags do not end here, however.

At least every three years, the employers must produce another certificate after you have provided details of the values of your existing FSAVCs.

In devising this monitoring system, the Revenue has shown a complete lack of understanding as to what goes on in the real world. If employees cannot walk into the local office of a life company and come out a short time later with their FSAVCs all arranged, then the odds are that they simply will not get involved.

The industry is in something of a cleft stick over FSAVCs. During the famous review of pensions by Norman Fowler, such bodies as the Conferation of British Industry and the National Association of Pension Funds, among others, asked for a facility so that personal pensions could sit on top of company schemes—that is, they wanted free-standing AVCs. But the proposed tangle is not what they envisaged.

Certain institutions have put forward systems of control that would prevent any possible abuse without imposing unbearable administrative burdens, but the Revenue is not receptive to any relaxation of its existing benefit limits.

It, apparently, does not want you to have an FSAVC.

Although these are only draft rules, on which the SFO is seeking comment by August 14, it is unlikely that any major changes will be made. The CBI is meeting the Revenue on this subject and is objecting strongly to the administrative burden being imposed on employers, but it is pessimistic over the outcome.

No one has yet considered the possible legal implications. If your employer gets his estimates wrong and your FSAVC provides too much pension, then the amount of pension to which you are entitled from the company scheme will be reduced so that the combined pension is within the Revenue limits.

Could you take legal steps for redress? The lawyers have not even considered this aspect.

If the Revenue does not rethink its position, in conjunction with the pensions industry and employers, this particular intended expansion of pensions choice will turn out to be a complete non-event.

David Cohen on a new stamp duty

Sticking points

A NEW stamp duty exemption in the second Finance Act is likely to have a significant impact on the way in which stock market flotations are structured. It may also mean that some private investors are deprived of a valuable tax break.

Until last October, stamp duty was never payable on a flotation. The shares were invariably transferred in allotment letter form which avoided the need for registration or stamping. But the Big Bang brought in its wake the new Stamp Duty Reserve Tax (SDRT) which imposed a 0.5 per cent charge on previously exempt transactions, including the transfer of allotment letters.

The stamp duty change in last months Finance Act centres on the rather esoteric question of who actually owns the shares which are offered in a new issue. The simple answer is that some of the shares will be newly-issued by the company, whereas the rest will be sold by existing shareholders.

But the technical question will be whether the issuing house—generally a stockbroker or merchant bank—is simply selling the shares as agent or has "bought" the issue itself and is selling as principal to the public.

Before the Big Bang, this choice had no effect on stamp duty costs, because an intermediate purchase by the issuer would have been by way of duty-free allotment letters.

Stamp duty aside, other factors weighed heavily in favour of the issuer selling as principal. It gave the opportunity for the broker/issuer to buy the shares at one price and then sell them to the public at a slightly higher price. This "turn" could be used to defray brokers' commission and other expenses which would otherwise have been borne by the company and its shareholders.

Remunerating the broker in this way avoided value added tax and also reduced the proceeds of sale on which the selling shareholders would suffer capital gains tax.

The imposition of SDRT introduced a crucial new factor into the equation. The intervention of the issuer now created an additional 0.5 per cent charge which could be avoided if it simply sold as agent. Faced with this heavy additional expense, virtualy all issuers changed over to being agents.

The Finance Act has now gone some way towards restoring the previous position. It provides exemption from SDRT where an issuing house buys up a new issue for the purpose of making the offer for sale to the public. The exemption is retrospective to May 8 and it applies to both new and already-issued shares.

Relief will not be available unless the issuer offers the shares for sales at exactly the price paid to acquire them. So there is no longer any scope to reduce tax liabilities by giving the issuer a profit on the transaction. Nevertheless, now that the SDRA disincentive has been removed, most issuing houses are expected to revert to selling as principals. That may be bad news for some stock market investors.

Since 1980 taxpayers who suffer losses on unquoted shares have been able to offset them against income rather than capital gains. For a top-rate taxpayer that means relief at 60 per cent rather than 30 per cent shares are "unquoted" for this purpose even if they are dealt in on the USM or the third market. The relief only applies if the shares were issued directly by the company to the taxpayer.

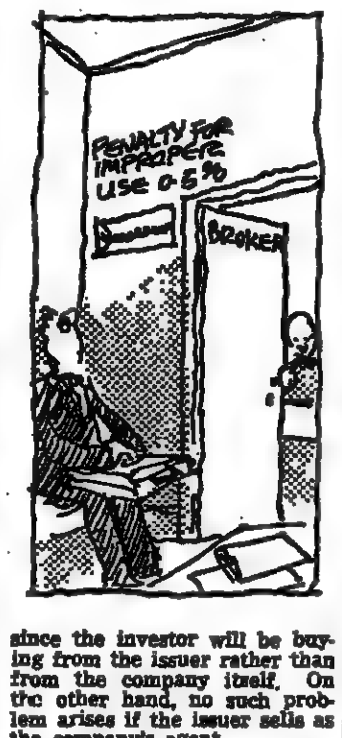
This can never be the case where an issuing house makes a public offer as principal, since the investor will be buying from the issuer rather than from the company itself. On the other hand, no such problem arises if the issuer sells as the company's agent.

Before the Big Bang, when virtually all issuers were principals, this technicality denied income tax relief to unlucky invesors in a number of ill-fated USM stocks. The change induced by SDRT means that subscribers to recent

But now, subscribers to new issues outside the main market who fail to make profits should at least be able to make the most of their losses. If the latest twist in the law turns the wheel back full circle, then this special tax break will again become unobtainable.

However, the new SDRT exemption currently applies only to flotations on the main market, although the Treasury has the power to extend it at any time to include the USM and/or the third market. Until such an extension occurs, issuers on the junior markets are likely to continue acting as agents.

● *David Cohen is Corporate Tax Partner at Paisner and Co, London, solicitors.*



New books

Know your pensions

PERSONAL pension plans for all employees are the centrepiece of the industry's radical revolution next year and intermediaries are being offered a splendid opportunity to promote them.

However, successful marketing needs a complete knowledge of the product and this is the aim of a new book from Financial Times Business Information called *Personal Pensions*. It is the first to appear on the subject; indeed, it has appeared before any provider, including life companies, has unveiled its products.

It is written and edited by Janet Walford, editor of *Money Management*, who has been running the highly successful series of books on self-employed pensions which this new book replaces (since personal pensions will incorporate the old style self-employed pensions).

The format of the book follows closely that of its predecessors. There are successive chapters dealing with how personal pensions will work, contributions, benefits and tax. As usual, the author is meticulous in her detailed explanations.

However, the book was prepared while the Government was still working out final details of the new pensions set-up so it is incomplete on certain aspects, a feature the author acknowledges.

There is an even bigger weakness in its coverage as far as intermediaries are concerned. Marketing personal pensions will come within the scope of the financial services legislation, and this important aspect is ignored completely.

Intermediaries are going to need specific guidance on how to sell personal pensions to comply with the requirements of the Securities and Investments Board.

So, has this book come out too early to be of practical use for intermediaries? Not really, since personal pensions will be available on January 4. Intermediaries should start now to familiarise themselves with the new environment.

Finally, the book gives its usual directory of pension providers. But at this stage, only the life companies have given any indication that they intend to be players in the new game. It might be difficult for details of the others—banks, building societies and unit trusts—to be collected before next year.

Yet, this is the information that many intermediaries, used to dealing only with life companies, will require.

● *Personal Pensions, published by Financial Times Business Information, 7th Floor, 50-64 Broadway, London, SW1H 0DB, price £12.50 (mail order only).*

E.S.

Advice for all

NEXT YEAR the brave new pensions world created by the 1986 Social Security Act comes into effect.

There is no shortage of advice for employees in a company pension scheme, and for their employers. Existing pension advisers—be they consultant actuaries, pensions consultants, insurance intermediaries, or life companies—are already bombarding clients with a mass of information on the new situation, even giving general advice on action to take despite the rules not yet being finalised.

The danger employees face is confusion from being swamped with information. The Department of Health and Social Security still intends to have a major promotional campaign in the autumn to explain the Act.

However, employees not in a company pension scheme, together with their employers, face the different problem of not being properly informed.

The underlying situation for these employees and their employers is that to do nothing is essentially a decision to remain in the State earnings-related pension scheme (Serps) by default; a decision that could well be the wrong one for young and middle-aged employees.

To meet both situations—lack of information or confusion from too much—London Life Association, a mutual non-commission paying life company, has launched its Pension Advice Service.

Frank Blackmore, head of sales and marketing at London Life, emphasises that this service is not another guise for selling pension contracts. Its aim is to provide unbiased advise to employers and their employees and keep them up-to-date on developments.

For employers, the service includes a Factfile providing up-to-the-minute information and general advice on the situation, and material to explain the choices to employees, together with telephone service Helpline. A series of seminars are being organised around the country.

For employees, the service provides sophisticated computer graphics to explain what 1988 means to individual employees and personalised illustrations to help employees choose whether or not to stay in Serps.

Frank Blackmore hopes that where employees or employers are recommended to make private pension provision, either through a personal pension or a company money purchase scheme, then they will use one of the new series of London Life pension contracts being launched in the autumn. But this is not a condition of using the Pensions Advice Service.

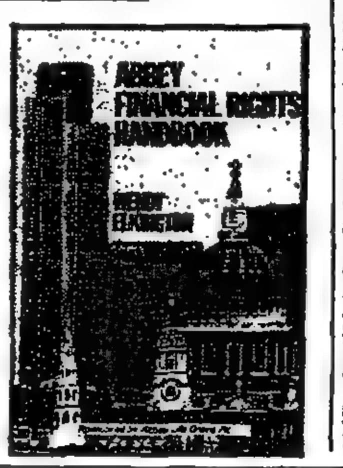
Initially, the seminars are being held for employers already holding their own pension plans with London Life—either self-employed or executive.

Venues are various sporting events around the country, such as Goodwood later this month.

Nevertheless, London Life hopes that non-client employers and employees will also use the service. Further details can be obtained from London Life's Bristol headquarters or any of its branches.

E.S.

Righting wrongs



THE NEW system of investor protection being introduced under the Financial Services Act is not just confined to stock market dealings. It affects the whole range of financial products sold to an often-gullible public.

So, it is useful to know your rights and how to act if you feel that someone is pulling a fast one or misleading you.

Wendy Elkington, as a member of the Daily Express money team, is well used to writing in a clear, comprehensible manner and there is a wealth of information in a book sponsored by Abbey Life.

● *Abbey Financial Rights Handbook, published by Rosters, 60 Welbeck Street, London W1M 7 HB, price £5.95.*

It is difficult to recommend a book that has a weak pun in its title. In some ways *How to Make IT — the 1987-88 Guide to Investment Trusts* — reflects just what is wrong with this industry in promoting ITself.

The book purports to be a simple guide but is overlong (370 pages) and crammed with facts and figures that are mainly comprehensible only to *aficionados*.

There are nine introductory articles altogether — including one on how to use the book—which are concerned largely with plugging the virtues of investment trusts. Written boringly, they will test the patience of even the most interested reader.

Not included, unfortunately, is a proper explanation of how to understand many of the lists and tables that provide the "core" of the book. But if you have the time and patience, the book does include everything you could want to know about investment trusts, even though the information might be difficult to locate.

● *How to Make IT (fourth edition) published by Association of Investment Trusts in co-operation with Woodhead-Faulkner, Fitzwilliam House, 32 Trumpington Street, Cambridge, CB2 1QY, price £5.95.*

Privatisation issues have brought a whole new generation of shareholders, and potential readers, for books about the stock market.

Tell Sid to Watch It! (capitalising on the British Gas Slogan) goes firmly for the popular, slangy approach in attempting to provide a "layman's guide." It is punctuated with cartoons (by Maddocks), anecdotes, and some colourful opinions in describing the history and workings of the different markets where innocent investors should fear to tread.

● *Published by Spellmount, 12, Dene Way, Speldhurst, Tunbridge Wells, Kent TN3 0NX, price £3.25.*

Investing in the Stock Market has a very different approach. It aims to provide "guidelines for investors to work it out for themselves" and gives clear, if sometimes complex, explanations of how the market works and how to plan investment strategies. But much of the book will be above the head of the average new investor trying to understand what is going on.

● *Published by Management Update, 43, Brodrick Rd, London SW17 7DX. Hardback edition is £11.95 (£13.45 post paid) and paperback £6.95 (£8.25).*

Choosing your Independent School provides a guide to more than 1,350 boarding and day schools in the UK and Eire. As the official 1987-88 Independent Schools Information Service (ISIS) guide, it advises on what to look for when choosing a school and the different ways of paying the costs.

● *Available from ISIS, 56, Buckingham Gate, London SW1E 6AG, price £1.50.*

John Edwards

Salutary reminder

THE LATEST development in European investment from unit trust managers is to launch funds specialising in a particular country. Thus, Atlanta is launching a Swiss-based fund—the Atlanta Swiss Balanced Fund—investing in a mixture of Swiss "blue-chip" stocks and bonds.

The group has not been put off by the indifferent performance this year of the two Swiss funds already on the market—EBC Amro Swiss Growth and Providence Capital Swiss Equities, launched at the start of this year.

Their showing reflects the Swiss equity market which, with the index up only 4 per cent, does not cover the bid/offer spread; and the Swiss franc, which is down 0.5 per cent against sterling.

Atlanta is, however, regarding these features as a temporary hiccup and relying on the traditional strength of the Swiss currency and equities in promoting its fund, portraying Switzerland as a safe investment haven.

If this view is proved right then Atlanta will have got the timing right for its launch, although investors are reluctant to put up cash when the market is depressed.

Indeed, fund manager Riccardo Tattoni runs his own investment company in Geneva and his wide experience of the Swiss market should enable the fund to react swiftly to events.

But the Swiss experience is a salutary reminder to UK investors, weaned on a decade of bull markets, that prices can go down and that unit trust investment is for the long-term.

E.S.

Christine Stopp on the rapid growth of unit trust portfolio management services

Eggs in a basket

IN THE CURRENT boom conditions for unit trust groups, taking the investor's money in tranches of £10,000 is even better than taking it at £1,000 a time. For this reason, portfolio management services (UTPMSs) are flourishing.

A number of groups have started such services, and quite a few more are enviously admiring their success. In theory, the idea doesn't look so good: you hand over your money to a single group, and they manage the portfolio for you.

From the unit trust marketing point of view, it obviously won't appeal to the broker market . . . or will it? Oddly enough, it seems that you are as likely to get into such a service through a broker as you are by going direct. This may be because your broker is basically an insurance broker who doesn't want to get involved in running unit trust portfolios, or one who is content to let some of your portfolio go to a reputable group which will offer him some commission on the deal.

Most UTPMSs are discretionary, and most are based on standard portfolios; in other words, your investments are slotted in to whatever geographical spread the group is recommending at the time, and switches will be made with the crowd.

Groups vary as to how slavishly they follow this system. Fidelity say that there has to be total standardisation for their scheme to work efficiently, even if this means putting you into the US one month and moving you out the next.

Other groups might only change all their portfolios after a very big swing in their views. With Schroders, for instance, investment strategy might shift a little each month, and all new investors in a single month would have the same holdings. Major revisions would not be made until that month's portfolios were felt to be substantially out of line with the consensus.

A major advantage of a UTPMS to the group is to bring large amounts of money into its own funds; but not all groups stick exclusively with their own trusts. Henderson is one of the groups which pioneered the idea of allowing investors to stipulate a maximum percentage of their portfolio which should be invested in its own trusts. In fact many investors seem to prefer the "100 per cent own trusts" option, perhaps because of the advantage of free management.

Some groups which do not invest exclusively in their own *trusts are concerned at the* possible impact of the polarisation rules; these seem to suggest that groups will have to choose between one type of service and the other.

Fidelity's growth fund achieved 32.9 per cent growth over one year and 130 per cent over three years to June 30 (offer to bid); Henderson's international balanced growth option grew by 35.6 per cent and 136.3 per cent over similar periods to July 1. The comparable figures for the international growth sector of unit trusts to July 1 are 26.4 per cent and 94.4 per cent.

MIM Britannia's capital growth option was up by 30 per cent over one year and 105 per cent over three years to June 30. The group has not marketed its service as much as other groups, and has only £5m under management as a consequence, compared to Fidelity's £100m, Schroder's £140m and Henderson's £94m.

MIM Britannia do, however, operate a lively advisory service called PIMS, which offers a portfolio valuation and advice two or three times a year. The service is free whatever the contents of your portfolio, with the sole proviso that at least £5,000 should be invested.

Are the management groups' UTPMS's worth having? With valuations at least twice yearly, and monthly statements or bulletins in some cases, they are a convenient method of having your money managed.

Against this, you are stuck with one group's trusts—and no group has a top performance record across all market sectors.

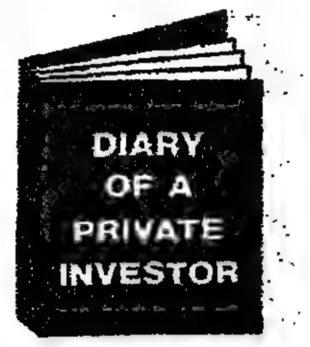
UNIT TRUST PORTFOLIO MANAGEMENT SERVICES

details of four schemes

Group	Discretionary/ non disc	Own trusts/others	Minimum investment (£)	Charges*	Geographical spread (growth portfolio)
Fidelity	D	100% own trusts (unless in market not offered by Fidelity)	10,000	pa	44% UK 24% USA 22% Europe 5% Japan 5% FE
Henderson	D	A 100% own trusts B max 50% Henderson	A 15,000 B 20,000	A free B £200 pa	60% UK 13% Europe 16% US 10% FE
MIM/ Britannia	D	100% own trusts	10,000	£75 pa	40% UK 26% US 6% Europe 19% Japan/FE 8% Intl tech
NM Schroder	Both	A 100% own trusts B 50% NMS/50% other	10,000	A free B max £250 pa	55% UK 15% US 7½% Japan 12½% Europe 5% deposit 5% Res prop†

* Charges where shown are in addition to normal unit trust charges.
† Offshore Residential Property fund.

Left on the tarmac



MY WIFE and I were unsuccessful in acquiring shares in the British Airports Authority. However, we are glad that our application in the fixed price tender offer was for more than 1,000 shares, so that we ended up with none at all rather than having our cheques cashed and receiving a miserly 100 and a cheque for the balance of the money we sent.

What was the point in allocating so many people only 100 shares each? County NatWest, adviser to the issue, is reported to have said that such small allocations were vindicated because many of the BAA shareholders retained their shares as a good investment rather than selling them as quickly as possible.

On that basis, why not award every applicant just one share?

I feel that all new share issues should have on the application form a box which could be ticked if an applicant wanted *at least* half *or more* of the shares for which he applied, or none at all. This would please the many people who want to avoid the uncertainty of a ballot for shares and/or of having their application scaled down to an absurdly low level.

It would also reduce the numbers of people selling small share allocations within days of a successful flotation and clogging-up the share dealing system. *Administration* expenses of the share issue would be reduced as fewer applicants' cheques would need to be cashed and fewer balance cheques sent out.

I sincerely hope that, when the British electricity industry is privatised, the minimum number of shares issued will be worth about £500 an applicant on the first day of dealing. After all, £500 is the minimum subscription level for many BES issues and certain other company flotations.

●

PRIVATISATION certainly seems to make companies think about expansion abroad. I still have shares in British Gas and British Telecom, and both recently have outlined their overseas expansion plans in their annual reports.

British *Gas* has a consultancy service that has already provided technical assistance to gas companies in Eire, Hong Kong, Indonesia, Italy, Spain, Turkey and the United Arab Emirates, and also undertook contracts in a number of other countries.

British Telecom's accounts included an "overseas activities" item which showed a turnover *of £318m, on* which it made a loss of £36m. Did BT take on certain projects overseas to under-cut Cable and Wireless and thus contribute to this loss?

It also would have been helpful if BT had included in its report separate figures for its involvement in cable television: how do shareholders know how much money is being diverted from the provision of profitable telephone services *into possibly far less profitable* activities like cable TV?

Another interesting item that caught my eye was that the British Telecom chairman took a dramatic drop in salary, from £172,206 in 1986 *to* £136,338 in 1987. At first, I thought this must be due in some way to a performance-related bonus (eg, for every 1,000 callers outside London who get a recorded message saying "all lines to London are engaged," the chairman loses 0.001p of his salary).

However, after getting such a recorded message twice, at my third attempt I managed to reach BT's London HQ and was informed that the chairman's salary reduction in 1987 was due to him relinquishing his former role as chief executive.

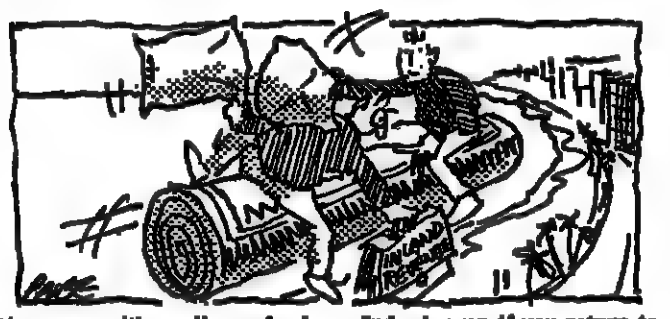
The BT service, while not as good as that in Hong Kong and a number of other places, is certainly still superior to that of most other countries. I just hope it does not dissipate its energies and profits on loss-making overseas ventures.

Kevin Goldstein-Jackson

● *This is the last article in the present series.*

Donald Elkin recommends the use of specialised offshore funds

Roll out that Magic Carpet



LITTLE HAS been heard about "roll-up" offshore funds since the blaze of publicity sparked off by the Chancellor of the Exchequer's statement to Parliament in September 1983. But this does not mean they are a spent force, nor that their tax advantages have been neutralised.

The development of roll-up funds, originally designed for *expatriate investors*, was greatly stimulated by the suspension of exchange controls in October 1979, which allowed UK residents to invest overseas for the first time in many years.

An offshore investment which paid no income, but reflected it instead in the value of its shares, was found to give a considerable tax advantage. No tax was payable until the asset was realised, and even then the *charge was to capital gains tax*, not income tax. So UK residents who had not used their (then) £5,300 per annum exception could receive it tax free, while the more substantial taxpayer could convert income taxable at a (then) maximum 75 per cent into capital gains taxable at 30 per cent.

By the summer of 1983 some £1.5bn had been invested in funds of this kind, and the *resulting loss of tax revenue* made a change in the law inevitable. The new rules duly appeared in the 1984 Finance Act.

Most UK-based capital was then withdrawn from the non-complying funds, leaving them to concentrate on the UK non-residents for whom they were originally designed. Their success has been spectacular, *particularly in the area of currency* deposits offering wholesale rates of interest; N. M. Rothschild *Asset Management's* Guernsey subsidiary leads the field. You can choose between 15 currencies, including sterling, in addition to three Managed Funds (base currencies sterling, deutschemarks and US dollars); the fund now totals about US$500m.

Careful use of such funds can still give rise to important tax advantages, the Finance Act 1984 notwithstanding; for the principle under which no liability to tax occurs until the investment is realised wholly or in part was not disturbed. The change was that the gain is now charged to income tax, even *though calculated according to* the CGT rules, with variations—disbarring the annual CGT exemption and indexation relief.

The need for expatriates to cream off accrued gains before becoming a UK resident is even stronger with roll-up funds because of this potentially greater tax liability.

For any period before the first departure overseas no tax will be payable on the income accruing within roll-up funds, provided that you do not draw on them while still a tax resident of the UK. The same is also true for any subsequent period of temporary residence in Britain.

Indeed, even if you return to the UK permanently, roll-up funds can reduce the tax you pay. For example, if in order to provide for some known expenditure such as school fees you invest £50,000 at 9 per cent in a roll-up fund, drawing £4,500 per annum, the amount taxable in the following years compares very favourably with that from a normal investment; say a building society account.

AMOUNT TAXABLE ON INVESTMENTS

Year	Roll up Fund	Building Society
1	£372	£4,500
2	£712	£4,500
3	£1,025	£4,500
4	£1,312	£4,500
5	£1,575	£4,500
	£4,996	£22,500

Encashment of the roll-up fund after the five years would provoke a tax assessment on £17,504, bringing the total up *to the same figure as for the* building society. But if in years one-five you are employed and paying a top rate of tax of 60 per cent and encashment does not take place until your retirement when your only other income is an overseas pension of £15,000 per annum, the lower rates then applying limit the total tax on the roll-up fund benefits to £9,365 as against the £13,500 for the *building society*.

All of which goes to show that roll up funds are alive and well and providing valuable benefits for those in the know.

● *Donald Elkin is a director of Wilfred T. Fry of Worthing.*

Power to the people

The village in which I live has been recently declared an area of outstanding natural beauty.

The beauty is considerably reduced by the presence of poles and overhead wires distributing electricity throughout the village.

I have several poles on my land, two of which are in pleasure gardens and the rest run over private properties. I am paid a small amount of rent, and have a wayleave agreement with the electricty board. This agreement ran for an initial 10 years and is now terminable by six months' notice on either side. The 10 years has expired.

If I terminate this agreement, do I and my other neighbours have the right to demand electricity be delivered by other means (ie underground cables).

You cannot insist on the wires being placed underground; and the electricity board can require you to grant a new wayleave. The better course is for your parish council to seek to negotiate with the electricity board for the resiting of the offending wires.

Not liable for CGT

In 1965 I purchased my residence, with the assistance of an endowment, for the sum of £3,150 plus costs.

In 1972, following the death of my father, I supplied £1,000 to enable my mother to purchase her rented house from her landlord; she then gifted the property to me by legal deed. At the time my mother was aged 71, and over the years she has become increasingly reliant upon my services. (She is now housebound.)

In April this year I sold my own residence for £25,000

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

before costs and have moved into rented accommodation.

Could you advise me if in the circumstances the sale of my residence would be deemed subject to capital gains tax, or whether it would be attributable to my mother's residence, should I decide to dispose of it upon her death? As since April 1 my mother's house is my sole property, would you consider it wise to have it officially valued? (It is now worth approximately £19,000).

You will find broad general guidance in a free pamphlet CGT4 (Owner-occupied houses), which is obtainable from your tax inspector's office. It seems clear that you will have no CGT liability on the sale of your home. The house occupied by your mother, however, will attract full CGT upon its eventual sale—on the basis of the bare facts outlined.

What you must pay

Would you be kind enough to advise me as to what rates of inheritance tax apply in the UK now. The property concerned consists of 9½ per cent Treasury Loan, and UK equities totalling approximately £130,000 at current values. You may know we have no death duties in most states in Australia.

If you are domiciled in the State of South Australia (or elsewhere outside the UK) at the time of your death, and are not ordinarily resident in the UK, your holding of 9.5 per cent Treasury Loan 1999 should escape inheritance tax by virtue of the terms of issue.

The current table of rates is as follows:

First	£90,000—Nil
Next	£50,000—30%
Next	£80,000—40%
Next	£110,000—50%
Remainder...	60%

Licence to bill

In September 1984 with my two other partners we bought a country manor house from the proceeds of the sale of our respective private dwellings. The manor house had a licence to operate as a hotel and restaurant but was not in operation.

After one week in residence we reopened the manor house as a country house hotel and restaurant.

In September 1986 we closed the manor house and sold it with planning permission as a residential rest home.

My queries are as follows:—

(a) Any capital gain made on one's own private residence is exempt from CGT. Since we were all using part of the premises as our own private residence, will similar exemption rules on CGT apply? If not, how will indexation allowances be applied?

(b) Since we bought the manor as a non-operational concern and sold it similarly, should we be liable to CGT?

(a) Yes, but only to the extent of your respective one-third interests in the parts which you respectively occupied privately.

(b) Yes.

Capital gains

My wife and I are PAYE taxpayers and I would be very grateful if you would answer the following questions in relation to the above matter.

(1) What is the maximum monetary gain allowed to be made on share investments before tax is due.

(2) If my wife and I have separate investments, are we both entitled to the maximum gain in each tax year.

(3) How do we stand for tax purposes on joint investments.

(1) The exempt amount for the current tax year is £6,600 (after taking indexation relief into account).

(2) No: the exempt amount (£6,600) is divided between you (according to complex rules set out in paragraph 2(1) of schedule 1 to the Capital Gains Tax Act 1979, as amended).

(3) Presumably you have shown the income from joint holdings as belonging equally to your wife and yourself, in your tax returns. That being so, the chargeable gains and allowable losses on joint holdings will be shared equally between you.

Benefits are lost

My mother worked and paid social welfare payments in the UK for fourteen years. I recently applied on her behalf to the Department of Health and Social Security for welfare benefit. I was informed that as she was lastly employed in the UK in 1942, any insurance she would have had would have lapsed when the 1948 National Insurance Act came into force and cannot now be used for benefit purposes. Surely my mother is entitled to at least compensation for the monies that she paid in over fourteen years, regardless of the 1948 National Insurance Act.

Unfortunately it does seem that no benefit is available and no compensation for lost payments can be made for welfare benefit payments which were all made before 1948.

BRITISH motorists visiting southern Spain should beware smash-and-grab gangs which loot cars stopped at the traffic lights, says the AA. The recent warning is timely but the problem, alas, is far from new.

Keep theft off the roads

Ten years ago, Britons touring southern Italy had similar troubles. Luggage on roof racks was a special target. When a car stopped at a junction, urchins would appear, knives in hand. In a second or two they had slashed the elastic cords securing the cases and scattered in all directions with their spoils.

When the angry losers reported the incidents to the police, they were told in effect: "What do you expect—this is Naples." Another variation was the fake accident. A scooter would slip over on its side in front of a British car. When the occupants rushed to help the rider, accomplices would strip the car of anything moveable.

Even simpler was the tactic of the thieves who kept a look-out for handbags or cameras on the laps of front-seat passengers. As the car stopped, they simply shoved an arm through a window that had been opened because of the heat and grabbed the valuables.

Short of taking holidays elsewhere than in Spain or Italy—which are the main, but not the only, high-risk areas—what can you do?

Obviously, handbags, cameras and so on should never be left where they can be seen. Jewellery—especially gold neck chains—should not be worn. In towns, windows should be kept closed, even if the heat is unpleasant. Roof-rack contents should be secured by something harder to cut than a rubber cable. Better still, do not use a roof rack at all.

A few other commonsense precautions can make or break a motoring holiday across the Channel. For example:

● DO NOT cut corners on insurance. A Green Card is essential if you want the full UK provisions of a policy to apply on the Continent. Membership of one of the motoring organisations' get-you-home schemes is highly desirable. There are few things worse than having an accident or major breakdow.. and then having to cope with the consequences without organised help.

● DO NOT run away with the idea that you can break the speed limits on Continental roads and get away with it. The risks of being pinched for speeding on the French autoroutes are greater than they are on our motorways. The 81 mph (130 km/h) limit is not ungenerous. If you cannot stick to it, have 1,000 francs tucked under the carpet; you will probably need it to pay an on-the-spot fine.

● DO make sure your car is mechanically fit. It will have to work hard. At the least, have it serviced before you go and carry a spare fan belt, if not a spares pack which can be hired from your dealer. Remember that even if you have a French, German or Italian car, parts available locally like clutch cables will not fit a right-hand drive model.

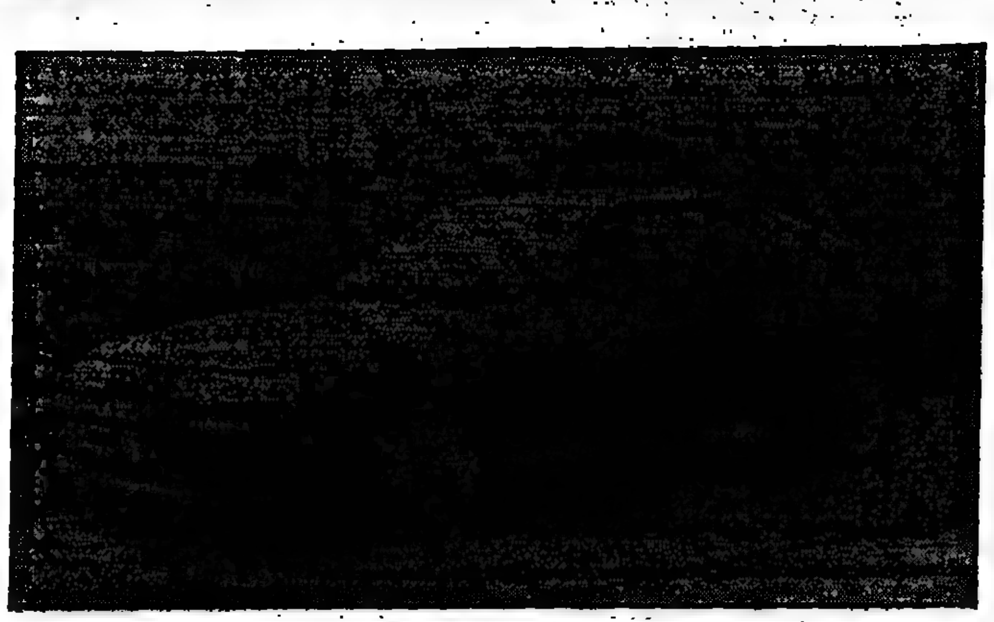
● DO check the tread pattern depth of the tyres very carefully. What might be legal in Britain could be expensively illegal in France or Germany. If you do not have at least 2mm of pattern all over each tyre before you set off, change the tyres now. New tyres are much more expensive outside Britain. So is oil. Take some with you if you think topping-up could be necessary.

● DO carry a first-aid kit (obligatory in Germany and useful anywhere) and a red reflective triangle. If you have to stop on the road for any kind of breakdown, you must use it to warn other traffic.

● DO NOT let any of this put you off taking a car abroad. It is a marvellous way of spending a holiday without the aggravations and humiliations of packaged air travel from crowded airports at unreasonable times of day and night.

● The Diamond Glaze polish I recommended last week is not yet being handled by a British distributor. Inquiries to the importer, Tuohy Enterprises, of 12 East Fair St, Mallow, Cork, Republic of Ireland (Tel 010-353-22-22241).

Stuart Marshall



TO THE Nissan Silvia, a son—or should it be a daughter? The new twin-cam, 16-valve Sunny coupe is obviously a close relative of the well-established Silvia ZX 1.8-litre turbo. Were it human, one would say it was the image of its mother. Underneath the metal, though, they are quite different. Silvia is rear-wheel driven with a fore-and-aft engine in the classic sports car manner; the Sunny coupe has a transverse engine and front-wheel drive.

It is a delightful car: sporty yet civilised, vigorous if you are in the mood to press-on a bit, gentle if not. The all-independent suspension gives a comfortable ride but allows hard cornering to be free from rolling or swaying. The all-disc brakes are powerful, the driving position admirable, and the instrumentation and minor controls well placed.

The 1.6-litre, four valves-a-cylinder engine develops 122 hp. It runs silkily up to 6,000 rpm, which is 115 mph (185 km/h), in fifth gear and does not object to being taken past the red line to 7,000 rpm. There is no point whatever in doing so. It delivers power so well at low speeds that the Sunny trickles smoothly through traffic in fourth gear, with snappy acceleration available from 30 mph (48 km/h) without changing down.

When working hard it sings like a Welsh tenor practicing for the eisteddfodd; but at 75 mph (120 km/h) the standard four-speaker stereo has little mechanical, wind or road noise with which to compete.

The five-speed gearbox is slick and easy — there is no automatic alternative. Power steering is finger-light for parking, positive when driving fast.

I can see the Sunny twin-cam coupe attracting buyers because it is pretty and youthful and will take them enjoyably to the shops and the golf club. Their sons, if given the chance to drive it, will rave about its acceleration, its handling and roadholding, and the way it gobbles up motorways at speeds they should not boast about.

At £10,500, it has few [illegible] rivals.

S.M.

هكذا من الأصل

London Property

• PROPERTY •

John Brennan on how speculator's profits are being cut back

Dockland bubble bursts

INVESTMENT traders, who have accounted for a significant proportion of the "off-plan" advanced sales in London's Docklands, are beginning to off-load their options to buy, according to Paul Austin of Carleton-Smith. Austin reports that the dealers, unsettled by the number of flats due to come on to the market in the next few months, are offering numbers of units at, or near, cost.

"Cost" in this case does not yet include the discounts on asking prices that many developers offered as part of their pre-sale packages, so dealers who are selling are still looking for a few thousand pounds profit a time. But the big premiums that were being asked for advance purchase options a few months ago seem to be a thing of the past.

As completion dates approach, dealers who bought last year in the hopes of big price rises that have not materialised do not want to be called on to raise the money to complete a purchase, and to be left trying to achieve a direct sale, just when hundreds of other flats are due to hit the market.

Carleton-Smith was one of the first of the West End residential agents to make the move to Docklands. Now, most of the major agents either have full sales and management offices in the area, or are opening them soon.

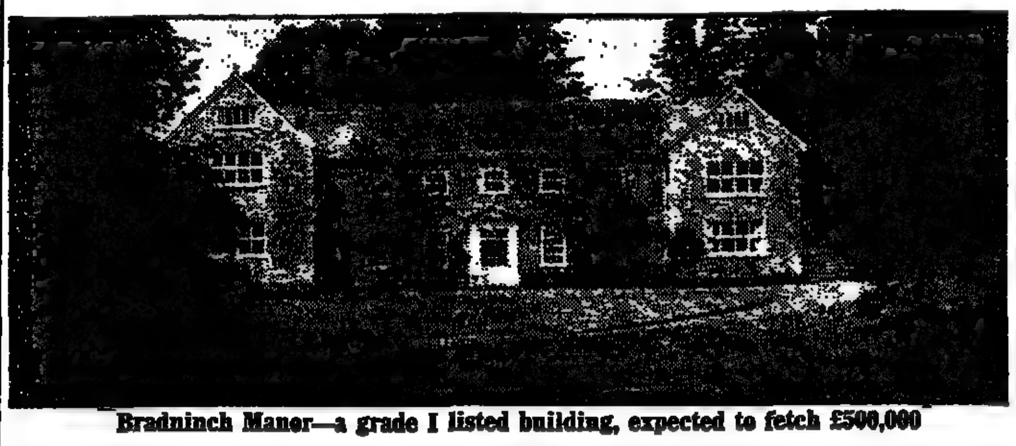
Knight Frank & Rutley celebrated its arrival with a detailed research report on the whole area while Savills swiftly picked up instructions on a number of exotic conversions. In recent weeks, Aylesford has joined forces with commercial agent Grant & Partners and opened near the East India Docks, where residential manager John Staib joined in the chorus of those who expect to see permanent new residents setting the pace in the market from now on rather than investment buyers.

Keith Cardale Groves has opened an office on the back of its management contracts on South Bank developments by Tower Bridge Road since, as KCG's Stuart Lawson says: "The market has evolved to the stage where enough people wanted a house agency service on the spot for us to need a shop front."

Egerton has settled into offices in the impressive Duke Shore Wharf scheme it is selling in Narrow Street between the Limehouse and West Ferry stations of the Dockland Light Railway. Spokesman William Johnston thinks the light railway will make a tremendous difference. "For the first time, a whole new range of people will see just how close we are to the City, and that will help the gradual change we've been seeing of having more owner-occupiers and fewer of the people who buying ahead just because the price looks right, without even looking at the plans."

The DLR should boost Docklands' regular influxe of "window shoppers" and they will find an ever-increasing number of willing sales teams on hand to take them on tour.

Hampton and Sons will be joining the Dockland agents with a new office in a few months and, as Hampton's Linda Beaney says: "We wouldn't be stupid enough to be opening an office there if we didn't think that it was going to be an important residential area."



Bradninch Manor—a grade I listed building, expected to fetch £500,000

Road to Land's End

The South west is fast being brought into the London residential zone

EIGHT IN 10 of the £150,000-plus homes that John Eaton-Terry sells go to ex-Londoners. As the Exeter-based head of the country house division of Fox & Son, and with a sales area that stretches through Devon and Cornwall, he is one of the prime beneficiaries of improvements in communications.

The completion of the M5 motorway and full electrification of the railway to Exeter caused the first wave of exiles from the capital. Now, it is the freedom from Monday to Friday in the office given by car phones, computers at home and modern links—as well as price—that attracts the incomers.

Eaton-Terry says: "The majority of our buyers for larger period homes come from London or the Home Counties. They accept that you have to go some distance before prices become meaningfully lower but in Devon they still find that it is possible to buy a substantial period house, and have sufficient for a comfortable *pied a terre* in London, from the sale of their present home."

Businesses moving west to Exeter, Taunton or Bristol have added to the number of buyers looking for larger country properties, and Eaton-Terry adds: "It is pretty futile now to look for an unimproved gem. The chances of finding an unimproved water mill, or a small mansion that hasn't already been discovered, are pretty slim. If you did find one, you'd be killed in the rush."

Prices of good, family-sized country houses in south Devon are, he says, "comfortably 15 per cent higher than they were last year. When a good property does come on to the market, it is usual now to find two or three prospective buyers quite quickly."

The manor at Bradninch is rather out of the normal run of country houses in the area. It is Grade 1-listed and was the home of the Saint Hill family for 500 years. The house was sufficiently grand at the time of the Civil War to have housed Charles I on one of his ineffectual western sorties, yet it is a managable size, with six main bedrooms, four reception rooms and the usual ramble of out-houses set in seven acres of garden with three-quarters of an acre of pond.

The house was sold away from farmland acquired by the Dutchy of Cornwall in the last century, and Eaton-Terry (tel 0392 51571) expects the freehold to fetch around £500,000.

Search out and destroy

THERE ARE no frontiers left in Weller Eggar country. The agents' Home Counties' commuter territory isn't the place for pioneers in search of undiscovered rural gems. The country cottage and country home buyers who head for Surrey, Hampshire and Sussex have to accept that most of the obvious barns and out-houses, village terraces and farm workers' cottages are heading for their second or third modernisation or restoration.

A few rural buildings have been shaken out into the market as farmers have been forced by the fall in commercial farming incomes and land values to look more carefully at their costs. But only a handful of those ever reach the open market. They are snapped up by the professional renovators and local builders who keep a constant eye open for properties with conversion potential.

Most of the weekend visitors looking vainly for a bargain place in the country accept eventually that they have to extend their area of search well beyond the commuter routes. But there might be one blindingly obvious alternative to travelling further from London.

Anthony Fuller, who looks after the agency's residential operations, raises what (when you stop to think about it) is an elegantly simple idea. Don't bother looking for a Home Counties thatched cottage with roses around the door for £50,000 or so. Look instead for some of the houses that even the locals regard as too ugly to live in willingly.

Apple Barn at Kingley, converted into a four-bedroom home

In effect, Fuller's idea is that you should look for the site, not the property on it. Once you have bought an eyesore in a good position there are unlikely to be any planning problems about rebuilding, even in the depths of the green belt.

With people ready to pay £70,000 or more for the merest outline of an old farm barn, and the same again to build a home on the wreck, Fuller is astonished that—thus far—there are precious few who have applied some lateral thinking to the problem and come in search of the residential ghastlies that normally gather dust at the bottome of agents lists. Those buyers could treat the deal as a bargain site plus planning permission.

Meanwhile, for those who just don't fancy the work involved in a renovation, Apple Barn at Kingsley in Hampshire (three miles from Bentley station—one hour from London, Waterloo) is a good example of what you can do with a tithe barn.

It was converted eight years ago into a four-bedroom home in three-quarters of an acre of garden. Weller Eggar at Alton (0420 82601) is handling the sale; and the fact that the house is attached to a separate home—on which there is a first option in the event of a sale—keeps the freehold guide price to £255,000.

J.B.

Country Property

Rentals

Country Property

Overseas Property

London Property

Country Property

RESIDENTIAL PROPERTY ALSO APPEARS TODAY ON PAGE VI

GARDENING

Robin Lane Fox continues the saga of the swimming pool he's sinking in his garden

When level best is not level enough

THIS WEEKEND I intend to start filling our new swimming pool. We have four solid walls—four slopes which look as though they have been coated with vanilla fudge—some large earth-heaps — and too much gravel in the grass.

I am not sure why we are bothering to fill the hole; if we had left the job to the English weather it would have filled up naturally. We have had to pump out almost as much rainwater as we now intend to put back in. Without the rain it could have been finished a week ago.

I began with three targets: to swim by the Glorious Twelfth of August; to beat a former foreign editor of this paper who was intending to dig his family a pool in southern France; and to out-perform a 10-day target in an article in Swimming Pool, Spa and Sauna, the trade magazine.

The Glorious Twelfth is still in prospect. The former foreign editor was easy meat. After several visits and much gesticulation, the bucket has yet to test the Gallic rock. He too is blaming the weather.

The ten-day challenge looked hardly more difficult. What an East Anglian farmer can do in a week and a half a classical historian should achieve in seven days flat, especially if he adopts the first principle of the societies he studies and sub-contracts the heavy work to somebody else.

This particular farmer must be very fond of paddling: to judge from his pool's measurements, it seems planned to be sufficiently shallow to double up as a sheep dip in the closed season. Most conventional pool designs give far too much space to the shallow end. In ours, you can begin to drown only six feet away from the end wall.

Perhaps farmers have better luck with their levels. Nobody knows how or why but our dig went too deep in one corner and too shallow in the middle. Absolute accuracy is not easy with a heavy great machine at 10 yards range, but inaccuracy costs hundreds of pounds in time and materials. Self-builders should be warned.

The next step after digging is to build footings six inches high for the concrete walls. In two corners, our footings are more like leggings, having absorbed enough concrete to make a respectable defence against one of Barnes Wallis's bouncing bombs. Misled by ground levels, we started to build the wall at the far end rather lower than the wall at the near end. For reasons still not clear one wall is 3 ft 10 in high, the other 3 ft 4 in—but their tops are dead level when tested by a waterlevel made from a length of transparent polythene tubing.

The moral is that you must be as accurate as possible with your digger even if the driver wants to hurry. Earth which has been over-dug cannot be replaced as filling. It makes an unstable base and so a cement mixture has to make up the difference. If you are too shallow in the deep centre of the pool, there is only one way out: up and over the sloping walls by hand.

I am still running neck and neck with the farmer, at the price of nearly crippling two plumbers in the course of the race.

We now have a pump, filter and heater in position and they may even work if we can reach them with power and fuel; to cut costs there is a strong case for putting a pool as close to the house as possible. In many sites, the result is an aesthetic outrage. Sparkling blue pools are not discreet beauties, nor natural companions for any garden, whatever the leaflets say. We could not face ours nearer than 80 yards from any window.

To maintain a pool 30 ft by 15 ft, we opted for a three-quarter horsepower pump, a 24 in sand filter and a 175,000 btu gas boiler. They are popular and proven equipment for a family pool, midway between cheap Spanish-made rivals and the earth-filters, stainless steel tanks and high-powered pumps which Americans design for the perfectionist with a big volume of water.

Shopping for a swimming-pool is a battle against the old "luxury" image. Retail mark-ups of 100 per cent keep awkward company with the dealers' aim of making a pool the natural extension for any British family home, if not for any British summer. If you are more concerned by price than by free re-fitting of parts that ought never to go wrong in the first year, you can actually buy exactly the same equipment for as much as 50 per cent less. £1,000 saved on equipment can turn a pool-dreamer into a willing pool-constructor.

With or without a discount, you must first turn yourself into a willing rut-owner. How do you move sand, cement and ballast to the edge of a pool economically and tidily? We puzzled over the arithmetic and opted for the higher cost of deliveries straight to the pool-side in mini-lorries.

As ever more concrete has come in to keep our construction straight, the deliverers have played a complex game of four-wheeled snakes and ladders over an inviting area of green grass. Each night in my dreams, I see the same overloaded mini-truck zig-zagging through great flower beds I have known, driven by the same engaging character who assures me that he knows how gardens matter to their owners.

What is the infallible way of making light lorries follow each other in single file? Farmers, maybe, have the secret: I would buy it on sight, even without a discount.

Arthur Hellyer suggests some options for grass

Lawns that grow wild

OWNERS of small lawns really have only two practical options in the way they are cut. They can be short, with the mower blades set between ½ in and ¾ in above ground level, or they can be medium-long, the blades set at ¾ in to 1 in.

If gardeners want a close-cut lawn, they must ensure it is made with fine-leaved, slow-growing grasses such as the fescues and some of the bents. If the lawn is to be left fairly long, it will be better to include some stronger-growing grasses such as a pedigree rye or a good variety of smooth-stemmed meadow grass.

In damp, warm weather, such as much of July's, a short lawn will need to be cut at least twice a week but a medium-long lawn only every five to seven days.

Owners of large lawns have more options, and it is with these that I am concerned mainly today. In addition to short and medium, some lawns (or sections of lawns) can be left to grow really long—even to the stage of coming into flower or setting seed—before they are cut, perhaps no more than once or twice a year. Not only is this an enormous saving in labour but it also allows the use of lawn grasses in all manner of decorative ways.

The simplest of these is to cut the lawn nearest the house closely but allow the more distant grass to grow longer. This will produce pleasing contrasts of texture and a consequent play of light and shade.

An attractive alternative is to maintain close-mown paths through all the grass but to let much of the rest grow longer. This can look most attractive, the pattern of the mown paths making a contribution to the design of the garden as a whole.

The wild plants that will grow in grass not cut often will vary according to the richness of the soil, its acid or alkaline status, and the amount of light reaching it. Bluebells will thrive in grass whether it is in shade or in sun, but will establish themselves most speedily and flower with greatest profusion in moderate shade such as that cast by widely-spaced, mainly deciduous trees. They also like rather light, moderately acid soils although they have considerable tolerance in these matters.

This is really the nub of the argument over wild gardens. The secret of success with these is to work with the soil and conditions and not against them, and to adopt a system of management that will favour the plants you want to encourage. Just consider two simple options, both of which will produce attractive wild gardens without too much trouble. One is to make the wild garden in a wood, the other to establish it in lightly-mown grass.

The deeper the shade in the wood and the greater the competition of the tree roots, the fewer the plants that will survive. This limits the wild plants that can be grown, but also reduces the number of undesirable weeds. By playing around with this equation, and by adjusting the fertility and the acid/alkaline reaction of the soil, it is possible to go a long way towards making an attractive wild garden that will almost maintain itself.

The grass option is a little more tricky and depends not only on the frequency of mowing but also on the grasses which are used, the nutrients which are applied, and the moisture level of the soil at all seasons. Many of the plants which will thrive in a chalk or limestone soil will perish in an acid one, and vice-versa. Some wild plants like to drink deeply and some prefer to be dry.

Perhaps the trickiest thing of all, though, is the plant nutrient level. Recently, I was admiring some delightful wildflower banks in the garden of Sizergh Castle, a National Trust property beside the A6 in Cumbria. Here, the banks are steep and sharply drained but there is abundant rainfall and plenty of moisture in the air. The grasses on the banks are mostly fine-leaved, the competition is moderate, and a considerable range of downland plants thrive.

But what was instantly noticeable was that, where banks joined lawns, there was a narrow band that was quite different. The grasses were coarser and so were the wild plants, meadow-dwellers for the most part rather than plants from semi-starved downs.

The explanation was that the lawns were fed, the frequent mowing reduced water loss, and the combination produced a quite different, more luxuriant environment.

So far as I know, no one has sown any wild plants at Sizergh or at Acorn Bank, another Cumbrian garden owned by the National Trust which has both an excellent herb garden and a wildflower meadow or flowery mead. At both places, it was the plants native to the area that were being encouraged simply by varying the management of the banks in flat, grassed areas. It was the infrequency of mowing and the low level of nitrogen that mainly restrained the grass and gave the broad-leaved plants their opportunity to spread.

Anyone could experiment on similar lines to these without spending a penny on seeds and then, when a little experience had been gained, could start to introduce new plants suitable for the prevailing conditions. But, if the soil is not alkaline and dry and the light intensity is not high, it would be unwise to expect cowslips to flourish. Primroses would probably be a better bet.

• DIVERSIONS •

THE LATE LATE LATE LATE TAKE-OFF SHOW

AMONG foolish travel virgins there are some who cannot take their summer break until the last minute, when Parliament and the City have effectively closed down, the streets and railways are devoid of people, and the nation is in limbo—in short in August.

Unless they are looking for a package to Benidorm or Bodrum, what they need is a cheap flight-only package to some sun spot where they will take pot luck. This year they must win for UK travel companies engineered over 13m holiday packages, many of which have not been taken up, and there are now spare seats for the asking on most charter routes.

Indeed, for the first time in several years, flight-only fares are close to their winter levels—provided you are cautious and selective in your approach. This week you could have flown to Palma for £44, Gerona for £49, to Kos for £98, and to Faro for the same price.

But late-comers need to exercise caution as to which agency they select from the adverts.

There are two helpful indicators here, and you do not have to study the small print to spot one of them. The word is "from," the ultra-low price with which many firms tempt the late booker. At this time of year, the "from" prices relate usually to last May or to next October.

For the second indicator, the small print is vital. Bucket shops seek to undercut one another, but those who do not include the airport charges are cheating, since those charges can add a possible £20 to your flight. Interestingly, many who quote "from" also neglect to add on the additional taxes.

There are the two major charter clearing houses for unbooked charter flights. Late Gatwick and its new cousin, Late, Late Luton, offer flights to most major holiday destinations, but at a price which is far from discounted below the standard charter fare. What they pitch to is the middle of the road.

A look at one destination, compared to the cheapest charter flight, proves the point.

Palma is currently £119 from both the Late Lates, whereas the cheapest fare I discovered was £60 cheaper, taking account of the airport tax. Part of this has to do with timing.

Venture further into the month of August—but booking ahead—and the prices go up. Gerona is £99 if you travel on Monday, Crete £129 should you travel on Thursday, and Las Palmas £119 as late as Monday week. The closer to the flight date, the cheaper each destination becomes.

What you need in the late return flight-only business is nerve, and the will to switch your destination both within the country of choice or to another. Nerve means booking no more than 48 hours in advance, particularly through August when the wise virgins will have booked their holidays, leaving more free seats from the pool for the foolish ones.

Unless you choose to walk everywhere, you will also need wheels at the other end.

For once you must forgo all sensible advice as to booking at home at favourable prices. Just as you should seek the cheapest flight bucket shop, you should also seek the cheapest local car hirer. He may not offer good cars in good condition—those have long since been let out to the wise virgins. But he will at least give you the wheels.

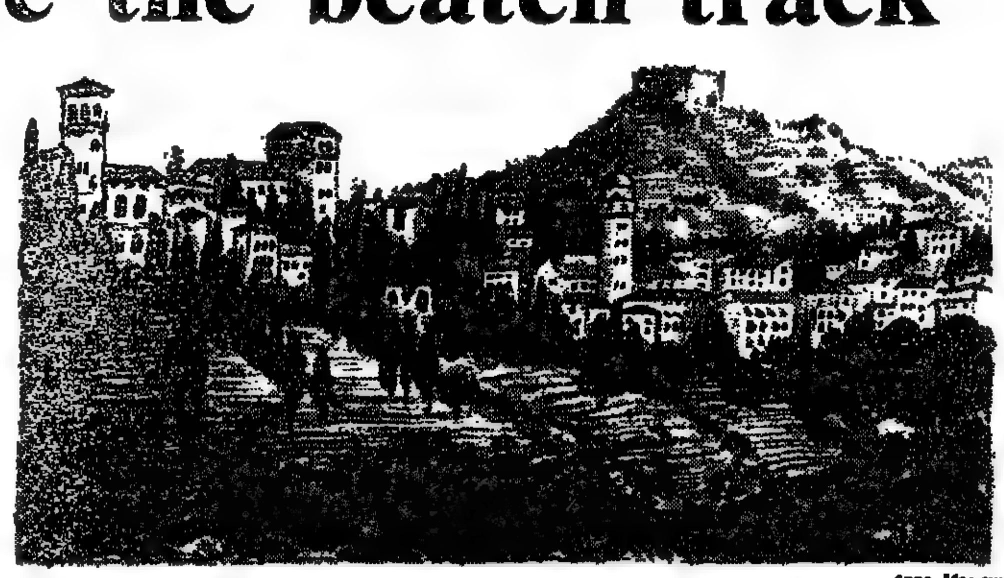
Current figures for flights from the UK to European holiday destinations are as follows (though you may be able to beat them down): Ibiza, £69; Mahon, £89; Venice, £99; Palma, £69; Alicante, £99; Malaga, £109; Almeria, £89; Gerona, £99; Crete, £129; Las Palmas, £119.

As August goes on, these prices are bound to be reduced, since the holiday peak in a year of unsold holidays results in even greater bargains. Quite simply, there is no market better for the buyer than a dead one.

Latest offers from the charter companies are available from Late, Late Gatwick 0293-31299, and Late, Late Luton, 0582-402147, for most European destinations. Remember, though, that you can find flights even cheaper through the bucket shops.

Roger Beard

Above the beaten track



Asolo on its hilltop overlooking the Po valley — *Anne Morrow*

I THOUGHT that I had made a rare discovery when I visited Asolo in Northern Italy earlier this year. I knew, because my Blue Guide told me so, that a 15th century cardinal of leisurely tastes had made a verb out of the place (asolare: to pass one's time in leisurely pursuits), and that some time later Robert Browning had lived there (there can't be many places in Italy where he didn't).

But all that was history. Who else knew about it now, apart from me and a few Italians? When I got home, I learned that Bill in the office next to mine had spent a week there the year before. This rather spoilt the sensation of having invented the town myself, but I was glad to know that its loveliness was not a figment of my imagination.

Asolo is a good place to go to if you want to get out of Venice for a day, and getting there is easy. I presume that you can do the journey by car without the slightest difficulty, though I don't feel that this should be encouraged. You can also get a bus from the Piazzale Roma which goes all the way there, but this only runs twice a day. The kindest way is to catch a train to Treviso (half an hour) and then a bus (three-quarters of an hour).

It is a town which balances neatly on a point mid-way between monotony and breathtaking splendour, between the Po Valley and the Dolomite mountains. To reach it you have to traverse an awful lot of the valley which to my prejudiced mind must be one of the most boring landscapes in the world.

On the way you keep yourself amused by observing the antics of the peppermint-sucking nuns sitting opposite. Just as you're reflecting that the flat-earth idea was after all a reasonable supposition, dizzy snow-streaked mountains suddenly leap up on the horizon, and between you and them there gradually materialises a line of round and gentle hills. On top of one of these stands Asolo.

The bus circles up and up, squeezes its way along one of those arcaded streets where you can lean out of a window and have a whispered conversation with someone living opposite, and deposits you in a small sun-filled square.

Asolo hasn't had a lot of what we choose to call history. In the 15th-century, Katherine, Queen of Cyprus, was persuaded by Venice (international bully) to swap her highly strategic island for Venice's useless Asolo. It's generally implied, of course, that in this she got the raw end of the deal, and certainly she can't have had a lot of choice in the matter.

At this distance in time I am no longer sure what exactly it is you do when you spend a day in Asolo, but whatever it is it fills five hours sweetly. There is a church with a pink pencil of a campanile and a Lotto inside it, and a museum with the usual Browning memorabilia, though after Venice you may think that you can afford to give those things a miss.

You can climb to a mediaeval castle on a bluff just outside the town. When you get there you discover a rectangle of rubble containing litter and picnicking Italian families, but it is worth it for the flowers and views.

There is a house where Napoleon spent a night on the way to some dire deed; an inn where excitable old men play bowls; a cemetery full of overblown Gothic fantasies, and a nunnery which emits a high-pitched chattering that can be heard half-a-mile away. We thought it was starlings at first, but it turned out to be the sisters' tea-break.

Otherwise, you have to make do with narrow, silent streets, leading you under painted houses and billowing geraniums to the hill-slopes which toss up oceans of pink blossoms at your toes. There you can fill in quite a lot of time lying nose-deep in fragrant grass.

There is one very grand hotel in the town, which earns three red huts in the Michelin guide and has a brilliant garden and a lot of Alfa Romeos parked outside. We found two useful-looking restaurants, one in the main square (where we didn't eat) and one just off it (where we did). It was the best meal we had that holiday, easily surpassing the overpriced insipidity of most Venetian establishments.

Getting away from Asolo can be quite exciting. I'm afraid that I still can't offer much guidance here, beyond saying that sometimes the buses come all the way up into the town, and sometimes they stop two kilometres away, at the bottom of the hill. Nobody seems to know when they are going to do which, least of all the fat woman installed in the tobacconist's who sells you the tickets. We spent two happy hours missing buses in this way, before a laconic traffic policeman finally convinced us that all the buses were stopping at the bottom of the hill that evening.

Once there, we had an interesting time rushing from one unmarked spot to another, trying to decide where the last bus of the day was going to halt. In the end we chose the wrong one, but the bus kindly waited for us.

Sue Blundell

Spoiled for choice

CHOICE IS supposed to be a symbol of freedom, but sometimes I doubt this.

Choosing what to wear is a major problem each morning for most women I know. Is it hot, cold, wet, dry, or English changeable? Do I seek to be smart, casual or glamorous? Should I look artistic, co-ordinated, feminine, classically fashionable, quietly capable or aggressively executive? The problem is compounded when gardening, business meetings, a trip to Sainsbury's and friends for dinner are all crammed into one day. No wonder men stick to suits.

Getting dressed is only the first hurdle of the day. Choosing what to eat is as bad, and not only at home. Going to restaurants used to be an exciting treat, but where I live there are about 500 eating places so anyone who asks me out says—"you choose." I am left wondering if they like Indian, Chinese, French, American, Spanish, Mexican, Italian, Greek, English or Vietnamese. If Chinese is it Cantonese or Peking, if Italian is it posh or pizza? And all that is before considering style or price.

I used to be competent in the kitchen, but roast meat and cabbage is no longer acceptable. Pick up a magazine for an update on "what's cooking" and you find that any self respecting store cupboard contains not just vinegar, but red wine, white wine, raspberry, cider and sherry varieties; although on no account should you be caught with malt.

Then, Dijon, English, granular, herb mixtures and green peppercorn must be on offer in the mustard department. For flour the range should include brown, white, buckwheat, home-milled, strong, plain, self-raising, or stoneground. Rock salt, sea salt, and Cerebos are basic minimums as are long grain, short grain, brown, white, wild and basmati rice.

If you eat out in the States the chef makes no decisions at all. Steak and salad is not as simple as it sounds. Take salad, for instance. I am ordered up from my chair to choose from the fifty or so that are on display under sanitised, hygenic plastic covers. I grab the first three on the front row and hope for the best. Now the dressing must be selected: French, Italian, blue cheese, Thousand Island, mayonnaise in five flavours. I feel exhausted; and dismayed when a steak weighing about three pounds arrives (the one thing you do not choose is the portion size).

Breakfast must, surely, be more straightforward. Wrong again. I stopped at a roadhouse where the menu invited: "BUILD YOUR OWN BREAKFAST—over sixty combinations on offer." No waffling or bageling today, I decided to order the simplest thing.

"Grilled—I mean broiled—bacon and egg, and a piece of bread, please."

"Fruit juice is included with every meal," said the waitress. "Do you want . . ." (I didn't, but nothing would stop the list) ". . . grapefruit, passion fruit, apple, tropical, tomato, orange, pineapple. . . ." (she must have a tape recorder instead of a brain) ". . . bacon back or belly, green, smoked, thickcut or thin? Eggs sunny side up or easy over? Rye, pumpernickel, wholewheat, granary, white, brown, croissant, French, or rolls?" I remember that American exams are all multiple choice; they start learning it young.

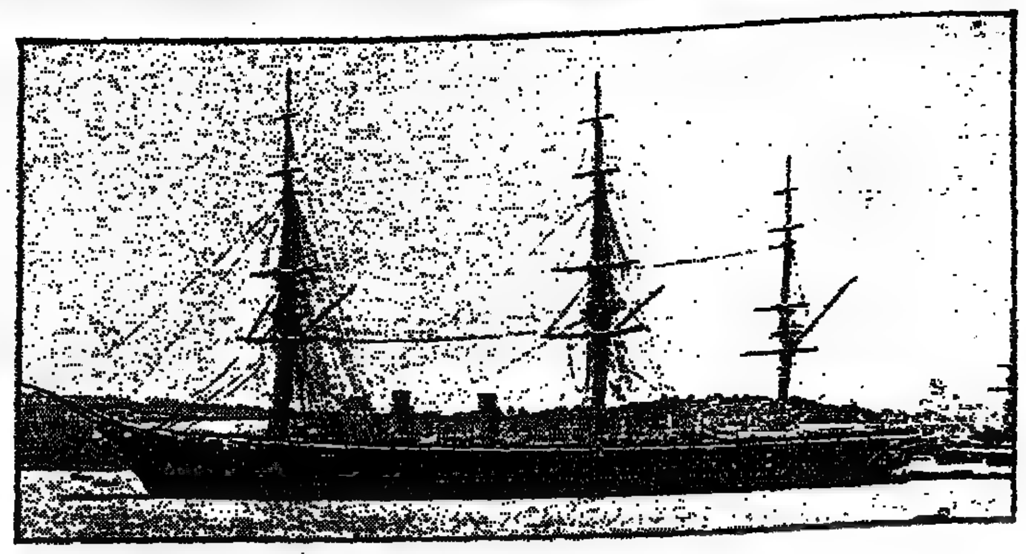
This was only the beginning of my trip, and I was not going to let anything spoil it. With a blind date in Pittsburgh to get to I could not be deterred by the choice of about 10 types of petrol at the gas station.

Ray was waiting when I arrived in Pittsburgh. "English girls drink gin and tonic" he greeted me. Had he really made a decision for me? Might this be the man in my future life? He opened the back of his pickup truck to reveal a big picnic box full of ice, and a couple of English beer glasses by the side to make me feel at home. My heart leapt—but only for a moment.

"Take your choice . . . Tanqueray, Beefeater, Cork, White Satin, London Dry. . . ." Suddenly I no longer wanted a date so I caught the first plane home.

"Thank you for choosing American Airlines" said the hostess over the Tannoy. I didn't. It was the only one going my way, thank goodness. Freedom was my choice.

Karen Elder



HMS Warrior, the navy's first ironclad ship, saved by the Heritage Trust

Call the Fund brigade

Heritage

YOU NEED a warm glow when standing inside a Bronze Age stone ring, high on the Derbyshire peaks, with the wind howling and the rain striking vertically out of a sudden July storm. You get one from knowing that, through your taxes, you have secured for archaeologists nearly 7,000 acres of this wild country, which they consider continues the finest unspoilt swathe of the distant past in Europe. Many more stones and post holes and pots from a civilisation which farmed these hills in the balmier climate of 3,500 years ago can now be pondered.

The Eastern Moors were acquired by the Peak District National Park from the Severn-Trent Water Authority in 1984, thanks to a grant of £350,000 from the National Heritage Memorial Fund, the organisation set up, and funded, by the Government, in 1980, with the task of preserving and extending the national heritage. Its first director, Brian Lang, is leaving to join the National Trust. As a swan song he organised a tour of the midlands and north, taking in a handful of the hundreds of projects the Fund has assisted — to a collective tune of over £80m — since its birth.

The contrast is bewildering. The Fund hits the headlines when it finds £13.5m to save Kedleston, or £1.5m to ensure that the Tate can keep Constable's painting of the opening of Waterloo Bridge. But much of its work is more mundane, like the £5,000 it gave to the Lincolnshire and South Humberside Trust for nature conservation to safeguard the Ancaster Valley, a mile-long stretch of unfarmed country, which shelters over a hundred varieties of orchids and any number of obscure plants.

A few miles away across Lincolnshire is Frampton Marsh, 300 acres which disappear into the Wash, home to thousands of black-headed gulls. Its future was secured by a £12,000 grant. Brian Lang had a purpose in drawing attention to the land saved by the Fund: the conservationist lobby is vociferous in its demands, convinced that works of art command priority from the Trustees, headed by Lord Charteris, who decide how the money should be spent.

Undoubtedly it is the grand houses that eat up the resources. Not far from Frampton is Belton House, near Grantham. Thanks to over £8m from the Fund, it is now in the hands of the National Trust. Belton is the epitome of a late 17th century mansion; the exterior is little changed. (It contains one of the largest silver wine coolers known, part of the traditional gift to the Speaker of the House of Commons, in this case Sir John Cust, an 18th century grandee.) Perhaps the most interesting part of Belton is its servants' quarters, reached by the back stairs and still containing the rail on which the food was pushed from the distant kitchen (to reduce fire risk) to ascend by dumb waiter to dining room.

The Heritage Fund is like a fire brigade which never quite knows the length of its hose. In the past it has been able to squeeze cash out of the Government to douse a threatening crisis—as with the £4m which the Chancellor of the Exchequer found during his 1984 Budget speech to preserve Calke Abbey, and the £29m which saved three major houses, Kedleston, Weston Park and Nostell Priory, a year later.

This year the Government has only come up with a conventional £3m grant. The Fund has invested its resources well (indeed, by the time it handed over the money to save Calke it had more than doubled the Government's £4m and managed to add to its capital on the deal), and has about £17m in hand. But the Trustees want to keep £13m in case there is a succession of serious crises, leaving £4m to be distributed this year.

It is, arguably, a painfully inadequate sum, less than half the price of a good painting by Van Gogh. As works of art fetch record sums in the saleroom, impecunious owners are tempted to sell off their masterpieces. Perhaps more by luck than judgment the US has not lost any vital treasures in recent years, although the outflow of the average—the 18th century furniture; minor Old Masters; miniatures and photographs—is worrying.

At the moment the Fund is keeping its eye on three treasures which, temporarily, have been refused export licences—a painting by Van Dyck; a sketchbook by Turner; and a George II silver centrepiece by David Willaume and Anne Tanquerary. Perhaps the first is of less than great importance but the second should be retained, even though the Tate is awash with Turner sketchbooks—and the price of £1m is daunting: the third, a rare, early and monumental work should arguably also be kept. Temple Newsam, an early Tudor house now run by Leeds City Art Galleries, would like the silver. The Fund is blanching at the cost—£750,000.

Temple Newsam is already a shrine to the work of the Fund. It contains the Channon Cabinet, a masterpiece of 1740s craftsmanship, with the popular attraction of seventeen secret drawers—saved, thanks to a £70,000 contribution from the Fund. It also has the Sutton Scarsdale chairs, made in 1724; and the Spencer House table, made in 1758 for the London home of the Spencer family, and actually bought by the Fund for £38,500 with the hope of returning it to Spencer House. This proved a pious dream, but it looks well at Temple Newsam, which is now a northern rival of the V & A as a home for important furniture.

Obviously the Fund has not the resources to stem a major outflow of treasures from the UK. But by judicious grants it manages to patch the dyke. Its chief charm, after seven years, is its idiosyncracy. It has recently helped to save two famous British racing cars, a 1967 Lotus and a 1949 V16 BRM; HMS Warrior, the Royal Navy's first ironclad; Bangor pier; a letter from Captain Cook to his patron the Earl of Sandwich; Combe Hill canal in Gloucestershire; the Mary Rose; a slice of the Menai Straits; and on and on.

There have been sins of commission—giving money to return a view of Littlecote to Peter de Savary, who had sold it when he bought Littlecote Manor—and of omission, like letting the Duke of Devonshire's first batch of Chatsworth drawings go to auction rather than securing them for the British Museum, although this was more mistaken public relations than artistic judgment. But, in the main, the Fund has managed to make a little go a long way.

Brian Lang's successor will need all his or her diplomatic skills. Already the storm clouds are gathering. Not least, there are the vast stretches of land owned by the water authorities. If these are taken over by commercial operators after privatisation, a large slice of the country could be ill-used. A more immediate anxiety is the flood of important archives coming on to the market from stately homes: the Clifford family last month sold its papers, including an original copy of the Treaty of Dover, for £313,500 at Sotheby's.

By setting up the Heritage Fund, the Government hoped to save itself from public complaints about exported masterpieces — and to achieve this on the cheap. It has largely succeeded. When the system seemed inadequate, it found an extra £29m to preserve three important houses. Whether its luck will hold depends on the mortality of some rich land owners, and the greed of others. The Fund cannot prevent everything worth keeping from leaving the country — but so far nothing has gone that has touched a public nerve. Brian Lang's successor will be hoping that this remarkable good fortune will continue.

Antony Thorncroft

Archaeology

Time traced

Gerald Cadogan visits a fine archaeological project supported by English Heritage

SQUIRES AND SPIRES — and mires — are the traditional ingredients of Northamptonshire, the unnoticed county at the heart of England.

Everybody passes through it. Those who stop find to their surprise that it is still a land of villages. For centuries, squires have hunted in its mire and prayed at the spire. Now it is the home of a unique venture in British archaeology. The Raunds Area Project is examining a big chunk of the Nene (pronounced "nenn") valley to see how man has used Northants through time, and to trace especially the rise of the village, church and manor.

Raunds is a large village with a magnificent 13th century spire. It lies off the A605, 20 miles northeast of Northampton. It prospered in the last century on boots and shoes, fell into decline, and over the last 10 years has grown again as a dormitory village.

Around Raunds the County Archaeology Unit and English Heritage (EH) are unravelling a block of the English Midlands which contains remains from many periods. EH is digging a Roman villa. And it gives the Unit about £57,000 for its digging, and £76,000 for post-excavation study of earlier work. EH sees Raunds as a project of national importance.

And the Raunds project is impressively planned. The Unit has shaped a string of rescue digs—before sites are lost to houses, roads and gravel quarries—into a comprehensive research programme. Every test pit adds to the picture.

The first results show Romans in an elegant villa at Stanwick, in the Nene floodplain below Raunds. They were squires, to judge from the many cottages and outbuildings around the villa. Tracks leading to the fields show that they lived from farming. But it is not clear yet how much settlement was on the site before the villa, nor how it relates to an Iron Age hillfort nearby, nor how Roman life ended and became a Saxon one.

For Saxon life we move to Raunds village, where the dig at Furnells manor (now covered by a housing estate) has uncovered 900 years of history. The earliest buildings are of wood; they date from the 6th century. By 700 AD the settlement was safely concentrated inside a ditched enclosure—part of a widespread move towards villages, and perhaps also foreshadowing the later manors. The last manor was abandoned in the 15th century; it became a smithy, and then pasture—as it stayed until digging began.

The manor was born in about 900 AD, as a large wooden building, and had a small stone church with it. At the same time the medieval "open field" system of strip farming could have been laid out. A chancel and a cemetery were added to the church later. Many graves had stone pillows to raise the heads of the dead.

In the 12th century the church was abandoned — and replaced, presumably, by the present, glorious church of St Peter. (It has lively wall paintings, including Pride and her Six Children, and the Three Quick and the Three Dead, with white rabbits.)

In the floodplain the Unit is digging a deserted medieval hamlet, of which there are many in Northants. It is at West Cotton, by a new section of the A45/A605: small stone farmsteads, each with a malt-house; again built over Saxon remains. At the very bottom was an unexpected find: a 3rd to early 2nd millennium BC sacred enclosure, its exact use unknown; and two barrows.

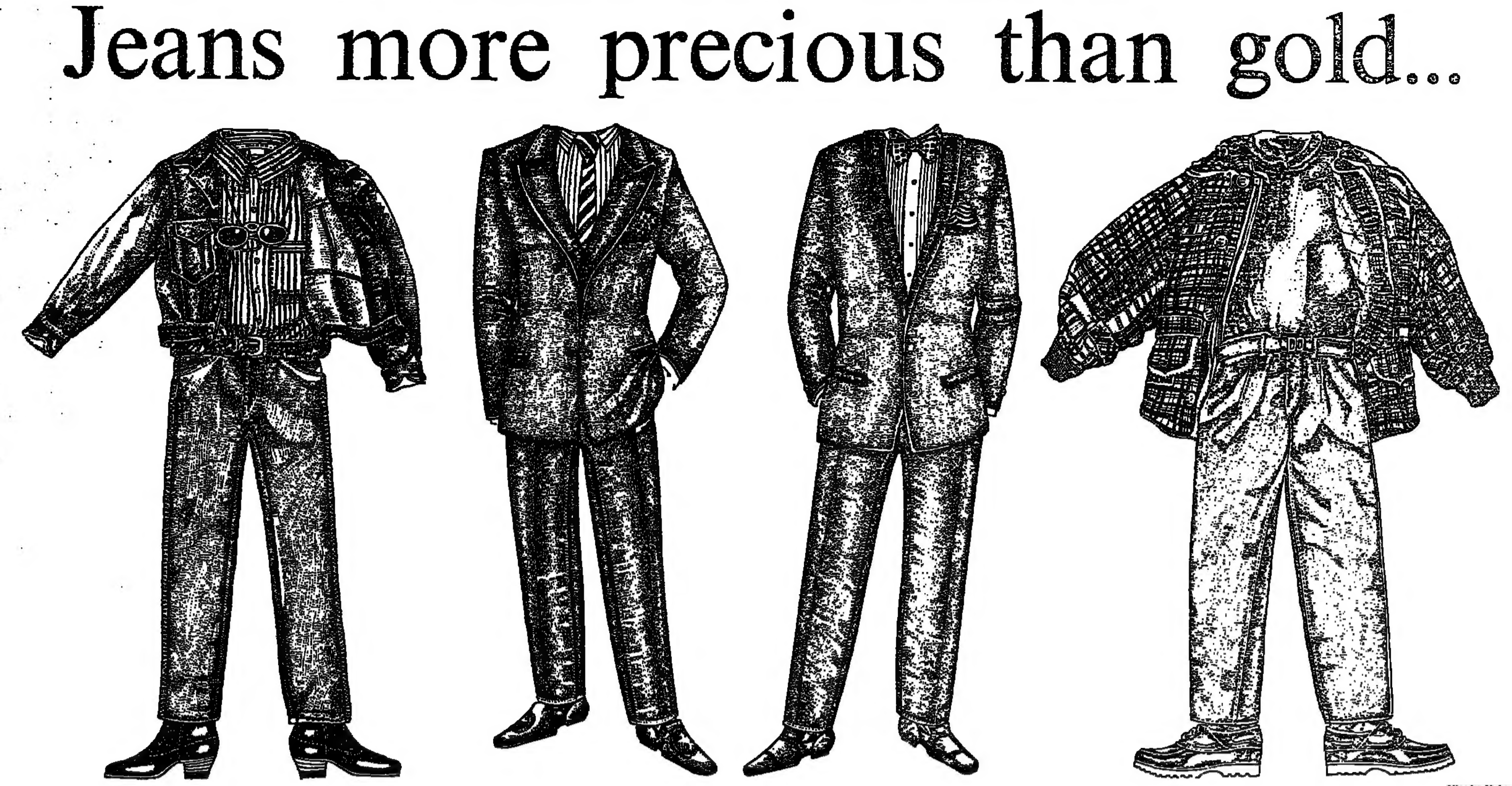
Chasing the use and re-use of sites is the fun. Every time something older is found underneath, it prompts the question: "Why did people come here in the first place?" For the barrows, another Raunds dig a mile away helps. Several more barrows, which will be devoured by a gravel quarry, are on islands formed by the Nene.

A large barrow was appearing when I visited the dig. Small plastic bags lay pinned to the ground, awaiting a scatter of worked flints that had to be planned before lifting. In the middle, a hole gave the diggers a sneak preview of stones, probably a collapsed cairn over a central burial. A vixen was living in there with her young; a reminder that Northants is famous for hunting.

Lucia van der Post

HOW TO SPEND IT

Jeans more precious than gold...



Nicole Nelson

● *Country and Western: for a touch of the Wild West* team the Regular Blue Jeans with a blue and white striped short-sleeved shirt, Western jacket (all from the Wrangler collection), Mulberry leather *belt with highly decorative* brass clasp, brown leather cowboy boots from Freemans Catalogue, and tough ski goggles from For Eyes' branches.

● *City-Smart:* the urban yuppie in Black Loose Jeans teamed with navy-blue blazer with brass buttons from the Scotch House, and a blue and white striped shirt and club *tie. Add a plain black Mul*berry leather belt, suede embroidered slip-on shoes from Barratts, and Argyle socks from The Sock Shop. Above right: Evening Glamour—the same Black Loose Jeans *worn with a black wool* dinner jacket from Ally Capellino, white English Eccentrics shirt with detachable wing collar, suede pumps from Emma Hope, and Argyle socks.

● *Country Comfort: Wide* Denim Trouser teamed with a dark green or navy Nigel Cabourne lambswool three-button shirt and a warm, windproof padded husky jacket in soft dark greens *and blues. A slim, chic* brown leather belt from the Scotch House, dark green and navy-blue Argyle socks, and brown deck shoes from Barratts complete the look.

A short guide to denims, the garment that once worn is always a friend

YOU MIGHT not be able to wear them in the Long Room at Lord's, to dine at the Savoy or in the exclusive environs of White's, but these days there are not too many places where you cannot take a pair of blue jeans.

Like the Mini, jeans break through the barriers of age and class. They are worn by everybody from Ronald Reagan to your local building-site worker, from Tina Turner to the girl in the disco. What was once authentic working-gear for gold-diggers on America's West Coast has become a high-status fashion item with a whole language of its own.

Jeans are also big business. Last year in the UK alone some 38.4m pairs were sold while in the US, home of the cult, it is reckoned that some 430m pairs are now striding the streets or hanging in wardrobes. Each year, in the US, between 52m and 53m pairs are sold.

But even such an enduring success story has had its lows. When the tidal wave of bell-bottomed denims that threatened to engulf us late in the 1970s had subsided, sales of jeans reached an all-time low. Something had to be done.

Levi Strauss, which to many people makes the only real jeans (as Deyan Sudjic, in his fascinating book on cult objects, remarks: "The gulf between Levis and the others is as wide and mysterious as that which separates Coke from Pepsi")—kicked off first. In a series of trail-blazing advertisements it got Nick Kamen to do for jeans and laundrettes what Marilyn Monroe *did for short skirts and* hot-air grilles. The ads homed in on 1950s nostalgia.

It worked. Already, Levi reports an 800 per cent increase in sales of 501s. In 1985, *Levi was selling 100,000 pairs* of them — the classic city-slicker's jeans with the button fly, rivets and five pockets. Two years later, sales had soared to more than 1m.

Over to Wrangler. Wrangler realised it could not beat Levi on cult status or authenticity—there was no way round the fact that Levi Strauss was the first to turn his yards of cloth from the French city of Nimes (de Nimes=denim) into those first tough working trousers. So it took on Levi where it hurt—fit. Even their most ardent supporters freely admit that 501s don't always fit properly. Their appeal goes way beyond practicality; it is all about unquantifiable imagery.

Wrangler's appeal is much more measurable—it is all about perfect fit and a wholly con*temporary chic.* "The fit is Wrangler, the style is all your own," goes the line. Out went the retro nostalgia and in came the up-to-the-minute street-smart kids wearing their Wranglers in their very own way. No uniform here—some times the jeans are worn slickly with a blazer, sometimes daringly with a ripped tee-shirt, sometimes wittily to a disco with a black bustier top.

Nobody at Wrangler is giving much away but sales, it seems, are going up.

Those not accustomed to the nuances of jeans lore may find this marketing scrap a little esoteric given that the garments are, on the face of it, pretty similar; but to dedicated jeans followers, nuances are important.

Few people looking about them can have failed to observe one of the other hallmarks of jeans culture—the older, the better. In the BBC 2 programme *Designer Classics* we were introduced to that lovely artist Peter Blake, who collects vintage 501s the way some people collect first editions. Levi 501s are really the only jeans you can sell second hand; and, as a rough rule of thumb, those made in the 1940s are more desirable than those made in the 1950s, those in the 1960s more desirable than those from the 1980s.

Over at American Classics at 20 Endell Street, London WC1, and 400 Kings Road, Chelsea, Cavan Cooper tells me that the realy desirable 501s, the ones with the yellow stitching and the seams that indicate they were made on the original machines, are the ones the true aficionado appreciates most.

"Most people," he says, "don't ever get to see yellow stitching—they mostly go to Japan. If I get a pair, I put them away and only sell them to somebody who really appreciates them, one of our regular customers. I'm in no hurry to sell them, either. In this business, the value of your stock goes up—if I haven't sold them this season I don't mark them down, I mark them up. I'd rather have certain vintage clothing than gold."

For those who cannot lay their hands on genuine vintage jeans, manufacturers have come to their rescue—their brutal chemical baths now do in hours what once only time and usage could achieve. That is, they give jeans the ready-distressed look. You can buy brand new pairs that look as if they have been bashed against rocks by generations of peasant washer-women.

Every big manufacturer has its own terminology—there's Granite (Wrangler), Glacier (Staggers), Klondyke, Hammered Stone, Indigo Stone, Superstone and Aged Grey (all Levi), Frosted Finish (Lee), as well as Snow Wash, Double Bleach and a whole host more.

If you are in the market for a new pair and are not yet a committed fan of one brand or the other, you will find the choice bewildering. The big three in American jeans are Levi, Wrangler and Lee, of which it might be said that Levis are the jeans for the city-smart, the urban yuppie; Wrangler (the official jean of the Rodeo Cowboys Association) are the jeans of the Wild West, of Country and Western; while Lee are the high-fashion garments of prosperous suburbia.

Then, there is the whole raft of modern designer jeans, with everybody from Francois et Marithe Girbaud in France to Calvin Klein and Gloria Vanderbilt in the US taking a claim for their own little share of the blue serge millions.

When it comes to which are the right jeans for you, personally I think nothing matters more than fit—and one persons fit is another's acute discomfort.

I've got used to the slightly-baggy, pleat-fronted jeans and nothing is going to push me into the latest hot favourites—the tight-fitted jeans with tapering legs.

Each to his own, though. And, however you like to wear them, somewhere out there are the jeans for you. Wear them straight and regular with shirt, tie and blazer and you are ready for all but the smartest do. One of our most hyped-up fashion designers has been seen at many a smart party wearing jeans and a dinner jacket—nobody yet has shown him the door.

Wear them torn and tatty if you are into making statements about rebellion (if you are not and it is just that, somehow, they are torn, keep them for the gardening). Wear them tight and slinky with a body stocking or a camisole top and you will look all dressed-up. Team them with sneakers and a comfy shirt or sweater and you have perfect leisure wear.

Here, to get you in the mood, are just four different ways for a chap to wear a pair of blue jeans. Our artist has chosen garments from the Wrangler collection to illustrate the range of moods available but many other labels offer similar—although not identical—looks.

Cookery

Shell out for crayfish

THIS summer Brown & Forrest,* the fine food mail order company, has just added freshwater crayfish to its list. The crayfish are dispatched alive, snoozing gently on beds of weed amid ice cubes in insulated boxes as they are collected and delivered by Interlink overnight express. Just slip a few extra ice cubes into the box when they arrive and refrigerate until ready to cook.

Like soft-shell crabs, freshwater crayfish are very much a speciality food and prices are correspondingly high. One dozen delivered to your door will set you back £20, two dozen £30, and three dozen £40. Add £9 for every extra dozen after that.

Freshwater crayfish, or *écrevisses* as they are called in France, are native to chalk and limestone streams. Now they are being "free-range farmed" as well.

For centuries they have been appreciated on both sides of the Channel, prized for their startling good looks (like miniature lobsters) as well as their fine taste. They are best known, perhaps, in Sauce Nantua—the classic finishing touch for quennelles of pike. But much simpler cooking can please as much.

Given that there is not much meat on them, I think it makes sense to serve them as a first course—in the shell so that they make a scarlet splash on the plate—and to let diners ritually peel their own. Finger bowls are, of course, essential.

Brown and Forrest suggests two per person for an appetiser, and you could probably get away with this, particularly if you serve a rich sauce such as Hollandaise with them. But, bank manager permitting, I think three or even more would be preferable.

The leaflet that came with my delivery suggested boiling the crayfish in very heavily salted water for just three-four minutes, then tossing them for a couple of minutes in a hot pan with a smidgeon of butter and garlic and serving them with mayonnaise. I substituted wedges of lemon for the mayonnaise.

If you prefer a dish that can be prepared ahead completely, serve the crayfish cold. Cook only until the water returns to a fast boil after all the crayfish have been immersed in it, then let them cool in the liquid. Dill-flavoured mayonnaise goes well with cold crayfish and so does a vinaigrette so thick with fresh chopped herbs (mostly bowl parsley and chives, plus a small handful of dill) that a spoon will almost stand up in the

Also excellent is a crayfish soup along the lines of *moules à la marinière.* Cook the shellfish for five-seven minutes in a mixture of fish stock and white wine. Transfer them to deep bowls for serving, scatter with chopped fresh dill, and pour some of the broth on top. Accompany with hot dill bread, a simple and delicious variation on the ubiquitous hot garlic bread.

Save any leftover broth for a second soup and also save the shells to make a crayfish butter with which to enrich the second soup. To make the butter (prawn butter can be made in just the same way), first put the broken shells into a pan with a little diced butter. Cook gently until the butter is melted and the shells are warm and coated with fat.

Tip the whole lot into a robust blender or food processor, scraping the pan well with a spatula. Add a tablespoon of boiling water and whizz to pulverise the shells and to infuse the butter with their flavour. Re-warm if necessary to melt the butter again and strain through butter muslin, squeezing hard to extract every last drop of flavoursome shellfish juices.

Cooking freshwater crayfish (as opposed to making crayfish butter) can be a very quick and easy affair. But it is only wise to add that it is not a task for the squeamish—live crayfish should be handled with caution.

Approach them from behind and pick them up one at a time, holding them firmly across the body so you are out of reach of the claws. If you funk touching them, pick them up carefully, again one at a time, using a large pair of spoons.

It is sometimes recommended that crayfish be eviscerated before cooking, but this is quite unnecessary if the shellfish have been kept in fresh running water for several days, as have Brown & Forrest's.

* *Brown & Forest, Thorney, Langport, Somerset TA10 0DB; tel 0458 251520 (Visa and Access card orders accepted by mail or telephone).*

Philippa Davenport

Collecting

Sentimental journey

ONE HUNDRED years ago this summer, Britain was pleased with itself. A great national euphoria was sparked off by the celebration of Queen Victoria's golden jubilee in June 1887.

The preceding 50 years had seen the Queen's popularity suffer more than a few setbacks, particularly in the gloomy period of her reclusion following the death of Prince Albert. By 1887, however, there was no doubt about the loyalty of her people — thanks in no small part to the public relations efforts of her well-loved, wily and recently deceased Prime Minister, Benjamin Disraeli.

The people's sentiment was summed up best by a huge banner that hung by the Achilles statue in Hyde Park: "God Bless Our Queen—Not Queen alone, but Mother, Queen and Friend in One." A sentimental age could empathise with the tiny widow of Windsor. She was human like the rest of them, and had seen more than her share of trouble. She had lost a husband, a son and a daughter; and writers always remarked how brave and solitary she seemed on her increasingly frequent public appearances.

Moreover, the Mother-Queen symbolised a Britain that was inordinantly satisfied with its achievements during her reign. "During this long period," wrote Sir Walter Besant, "there has arisen in the national kind such a spirit of enterprise, endeavour and achievement as has no parallel in our history except in the reign of Queen Elizabeth. Now, as then, the people have been restless: it is a strange quality in our Anglo-Saxon race that from time to time we become restless: this restlessness has shown itself in colonisation, in emigration, in research, in discovery, in invention, in changes of every kind."

It was, admittedly, true. Politically and economically, England's power was unchallenged. In the arts, sciences and education, it led the world. The sun never set on the empire. The 18th century and the Napoleonic wars were still strong in the memory when Victoria came to the throne in 1837. She lived on to see the era of the motor car, the telephone, the cinema, and much of the technology we know today.

No wonder, then, that Britain celebrated with such enthusiasm in that hot summer of 1887. For weeks, the streets were decorated. The shops in Oxford Street and Regent Street were hung from top to bottom in flags and bunting and loyal messages. In the middle of Piccadilly Circus was a mountain of flowers. Prominent citizens competed in the splendour of their street decorations, although no one outshone Baroness Burdett-Coutts whose house in Piccadilly was draped entirely in rich crimson velvet, lined with blue and white silk, and hung with hundreds of Chinese lanterns.

At night, the streets of Britain's cities blazed with illuminations; and the mixture of oil lamps, gas lamps, limelights and electricity reflected the rapid changes in technology. A more traditional celebration was the lighting of beacons across the country.

The celebrations clearly also stirred the nation's conscience. The prosperity of Victoria's England was by no means shared fairly; and at this moment every town and city salved the public guilt by stuffing dinners and teas into the deserving, if rarely considered, poor. In Edinburgh, 6,000 poor men were given a dinner in the Waverley market.

Children, too, were major beneficiaries, for elders wanted to give them memories to carry into the 20th century. Everywhere, there were school teas and street parties. On jubilee day, 30,000 school pupils were marched from all over London to Hyde Park to see the Queen. They were entertained by 20 Punch and Judy shows, eight marionette theatres, nine troupes of performing *animals*, 86 peepshows, 100 lucky dip barrels and a giant from Austria; 1,000 skipping ropes, 10,000 balloons and 42,000 toys were given away; and each child received a paper bag containing a meat pie, a slice of cake, a bun and an orange.

Each also received a more permanent souvenir, in the form of a white stoneware mug made by the Doulton company's new Burslem factory. There were similar ceremonies everywhere in the United Kingdom. One of the greatest triumphs of Victoria's reign had been the provision of universal education; and every community tried to provide a souvenir for its numerous school children.

The new mass production industries of Britain responded to the unprecedented boom in souvenirs. There had been a growing production of souvenirs to commemorate events like Victoria's coronation, the Great Exhibition and the Crimean war; but the jubilee surpassed everything before it.

So much was produced, and so much of it was preserved, that Victoria's two jubilees might each provide a sufficient theme for a whole collection—even if, it must be confessed, jubilee collectibles are generally more notable for their patriotism than their aesthetic appeal.

The Newport Museum Art Gallery in Wales has an imaginatively displayed exhibition of Victorian commemoratives, designed to celebrate the centenary of the jubilee (or, alternatively, the 150th anniversary of the coronation). Called "Long to Reign Over Us" it comprises 101 items selected from the incomparable collection of mementoes of British history formed by James Blewitt.

The exhibition continues until October and admission is free. The show amply merits a visit.

Janet Marsh

A commemorative plate from Victoria's coronation, featured in the Newport exhibition

Michael Prowse on the Third World debt and how it affects us all

Countries in the red

LATIN AMERICAN DEBT AND THE ADJUSTMENT CRISIS
edited by Laurence Whitehead and Rosemary Thorp. Macmillan. £29.50 (paperback £14.95) 359 pages

DEVELOPING COUNTRY DEBT: THE ROLE OF THE COMMERCIAL BANKS
by H. A. Holley. Routledge and Kegan Paul. £5.95, 85 pages

MANAGING THIRD WORLD DEBT
All Party Parliamentary Group on Overseas Development. Overseas Development Institute. £3.95, 76 pages

THE THIRD World's vast and largely unrepayable debts are now matched by a vast and largely unreadable literature on the "debt crisis." Everybody from Professor Martin Feldstein, President Reagan's former economic adviser, to Marxist revolutionaries has had his say. The three contributions reviewed here are reasonably representative of the genre, being written respectively by two academics, 11 politicians and a former commercial banker.

The collection of essays edited by Rosemary Thorp and Laurence Whitehead is the least likely to appeal to the general reader. The hardback book is long, inordinately expensive and spectacularly out-of-date. The authors only just manage to include a fleeting reference to the "Baker Plan"—the much-criticised debt initiative launched by the US Treasury Secretary in Seoul in September 1985.

There is, of course, a trade-off between topicality and detailed research: Ms Thorp *cannot be expected to pronounce* upon the Peruvian government's plan to nationalise the banking system since that was announced only last week. But it is depressing to turn to the chapter on Peru and find Ms Thorp struggling to make an instant assessment of the radical economic polices introduced by President Alan Garcia in August 1985. When she was writing, the country was still deep in recession, but in 1986 it achieved GNP growth of more than 8½ per cent, the best performance of any Latin American debtor.

Likewise there is no discussion of the impact of a *sub $10 oil price on Mexico's* economy, no analysis of the importance of debt-equity swaps, no mention of Brazil's interest payment moratorium and no assessment of the significance of the much higher loan loss provisions announced by US and UK banks this year. The publisher ought to realise that a delay of two years seriously undermines the relevance of this kind of book.

Developing Country Debt and Managing Third World Debt, although published earlier this year, are much more up to date. They provide succinct and readable accounts of the origins of the debt crisis and level-headed assessments of the various "solutions" put forward during the past five years.

Mr Holley, *formerly* a senior economic adviser at a London clearing bank, shows how realistic bankers can *become once* they leave their desks. He writes:

> Clearly the bulk of the debt at present owed to banks cannot in any foreseeable *circumstances be repaid. The form* of indebtedness may change, and conversions may erode it at the margin; but it would be unrealistic to suppose that the exchange of debt for equity, even with the opportunities that may be offered by privatisation, and other operations in the secondary market can substantially reduce the amount owed. . . .

As an alternative to a "seemingly endless series of negotiations" he argues, like many before him, for the consolidation of much of the overhang of debt into long-term securities offering lower yields than the present short-term liabilities.

The All-Party Parliamentary Group, headed by Mr Bowen Wells, a Conseravtive MP, goes much further. It argues, surely correctly, that "debt has ceased to be purely a banking problem" and puts the case for "a politically-initiated formal debt relief arrangement *among* debtors, creditors and governments which grants debtors a major breathing space and brings to an end the uncertainty which inhibits new investment." The aim, it says, *should* be to reduce the annual debt service burden on less developed countries by two *thirds.*

A political resolution of the debt crisis certainly seems desirable. The present problems, after all, are largely the legacy of the political errors of *First World governments:* the failure to supervise adequately the recycling of the massive Opec surpluses in the 1970s and the sharpness of the introduction of disinflationary policies in the early 1980s. Neither the debtors nor their commercial bank creditors have ever had any significant control over the two variables *most* critical to a successful resolution of the debt crisis: the rate of world economic growth and the level of real interest rates. It is unreasonable therefore to expect the "market" to resolve all the outstanding problems.

Unfortunately, what happens in the real world is rarely reasonable. The debtors have already accepted cuts in living standards that would have been quite inconceivable in the UK or US. They still, with the possible exception of Brazil, seem *unconscious of the strength of* their bargaining position. In such circumstances, First World politicians will find the temptation to intervene only too easy to resist.

Fiction

Irish eyes unsmiling

TEMPORARY SHELTER
by Mary Gordon. Bloomsbury, £11.95. 213 pages

THE OBJECT OF MY AFFECTION
by Stephen McCauley. Macmillan, £10.95. 316 pages

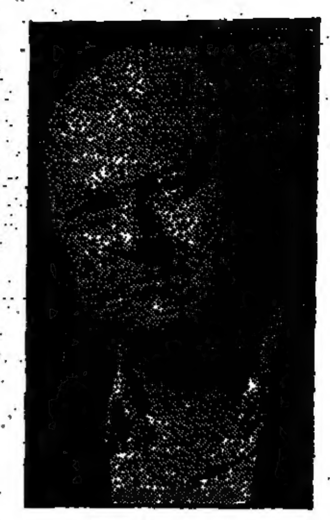
THE JADE PAVILION
by Martin Booth. Hutchinson, £10.95. 486 pages

WHAT MAKES the American writer Mary Gordon remarkable *is certainly not her people, plots* or action. She writes about personal relations, little else—*love*, friendship, families, domesticity, childhood — and there is nothing fictionally remarkable in those. Her effect comes from the degree of quiet concentration she brings to them, an X-ray quality both tender and acerbic that goes far beyond appearances.

You feel she has the wisdom *to interpret appearances,* but the interpretation is not as a rule spelt out; it is implied, suggested, left hanging; the reader has to interpret them too. Her writing disturbs, in other words, our accepted views of the ordinary.

Temporary Shelter is her first collection of short stories, *after three novels. Most* are set in America, a few in England; some have a specifically Irish background and several the same working-class immigrant Irish family, in which the main movers are women with names like Bridget and Eileen and Nettie and the men are peripheral—mysterious *creatures who allow the central* business of childbearing and child-raising to go on, but who *are not to be taken too seriously* or trusted too far. The culture is lumpen-Catholic. On the *sidelines,* watching the rest because, being crippled, she cannot hope for their mainstream life, is the child Nora. Inarticulate and unimaginative, the family lives its tight little life.

When one of Nora's aunts marries a Protestant (in other words, someone who is not a Catholic), and dies in childbirth, nobody knows because *at home she is expected to get* in touch; and doesn't. Other stories are about the underlying life of relationships, the subtext of feeling, particularly good on multiple marriages with their retrospective jealousies and children squashed (if not always quite crushed) between adult desires. Every*day things, but seen with a* new intensity.



Martin Booth: murky Macao

Another American, the narrator of Stephen McCauley's first novel The Object of My Affection, works in a New York kindergarten so exclusive that pregnant women turn up to put their children down before birth. George is gay. He lives with his very best friend, Nina, who is pregnant by Howard, whom she doesn't want to live *with or marry. What she wants* is to stay with George and bring up the baby with *him.*

Sometimes George wants this too, but in Vermont Paul and the small boy he has adopted, Gabriel, are waiting for him, and so is a job in another kindergarten which, when he is dismissed in New York, he needs.

I am reminded of the effect, years ago, of The Catcher in the Rye: a similar mixture of enjoyment, amusement and mild shock. Things have shifted since then, of course, and sexual turnabouts undreamt of in *Holden Caulfield's* world are now routine. Not everywhere in the novel or in middle America, though. When George and Nina turn up for his brother's wedding, she heavily pregnant and he refusing to call himself either husband or father, things go badly awry. Appalled, George's kind, untrendy family cannot face the shame, before its innocent in-laws, of an openly single mother and, far worse, overt homosexuality. New York and the trendies are put in their place.

The deadpan, articulate chatter of everyone around (including several five-year-olds who loom large in the story), the sexual overlappings, inoffensively and not too explicitly described, the disorderliness of everyday life (food and furniture, domestic muddle, *shopping* and cooking, ballroom dancing, absurd outings), the *ups and downs* of feeling, the ins and outs of attraction, the tendernesses and outbursts: all are conveyed with punch and deftness and (I found) with charm. An amazingly expert first performance, a little too long but sympathetic and almost unnervingly funny.

The Jade Pavilion, by the author of Hiroshima Joe, is what I call an airport novel, the sort people are said to buy *for flights* to China: long, solidly plotted, exotically set in Macao (1937-48), involving danger, violence, sex, money, crime, war, hunger, etc etc; in other words a story *de nos jours.* Its heroine, Alice Soon, half English, half Chinese, is an ex-prostitute from Macao's smartest brothel whom one grows to like more and more as *she* struggles to bring up her child and get away from his horrible father. Plainly written, it is an easy read and, though never particularly stimulating, never boring.

Isabel Quigly

Detail from Ruby, Gold and Malachite by H. S. Tuke. Paul Delany's book reviewed below, examines the cult of bathing in the nude with reference to Rupert Brooke and others

Anthony Curtis looks again at Rupert Brooke and his circle of friends

In at the deep end

THE NEO-PAGANS
by Paul Delany. Macmillan, £14.95. 269 pages

LETTERS FROM AMERICA
by Rupert Brooke with a preface by Henry James. Sidgwick & Jackson, £9.95. 222 pages

RUPERT BROOKE: THE COMPLETE POEMS.
Sidgwick & Jackson, £10.95. 333 pages

TO PLUNGE naked into the cold water, swim together, and then lie on the bank drying in the sun—that was the essence of it. The essence of *what?* Well, whatever you liked to call it . . . Hellenism, naturism, the good life, purgation, fellowship, only connecting. It is the key-idea in the literature produced by what the critic Martin Green has called The Children of the Sun. It crops up ad nauseam in the *novels* of E. M. Forster and is not unknown in those of D. H. Lawrence. It is crucial to the poetry of Rupert Brooke. It colours his famous sonnet published in 1914 on the outbreak of the war:

> Now, God be thanked Who has matched us with His hour,
> And caught our youth, and wakened us from sleeping,
> With hand made sure, clear eye and sharpened power,
> To *turn, as swimmers into* cleanness leaping . . .

Paul Delany's book The Neo-Pagans, which is nicely timed to coincide with Rupert Brooke's birth-centenary, may serve as a deeply interesting, extended footnote to those lines. Delany explains for the first time why it was that Brooke was so obsessed by the idea of getting clean; and what it was, quite an accretion it turns out, he wished to scour from *his* conscience. The war was a heaven-sent opportunity.

Delany is admirably thorough; in order to explain the attitudes of Brooke and his circle of friends in this respect he traces the philosophy of the Cold Plunge to its origins in Public School education and progressive schooling. It began with Dr Arnold at Rugby where Brooke was not merely a pupil but the son of a housemaster and it spread via Badley to Bedales.

Badley, founder of Bedales, was greatly influenced by Edward Carpenter who said that one of the most melancholy sights he had ever seen was *that of bathers in Endcliffe* Wood, near Sheffield, waiting for a policeman to give the okay before they could enter the water.

Brooke inherited this passion *for bathing and spread the* gospel among his chums when he got to Cambridge. They included not only men like Jacques Raverat, Dudley Ward and Justin Brooke (no relation, he was the son of the founder of Brooke Bond tea) but also several young women, the Olivier sisters, Noel and Brynhild, the Darwin sisters, Frances and Gwen, and Ka(therine) Cox. Among these lively young people we have the perfect ingredients for a Murdoch novel 50 years before its time. Only the group's antics as unfolded by Delany, leave Dame Iris looking rather like Enid Blyton. The combinations and permutations of erotic intrigue were infinite with Brooke briefly chalking up *at least one male lover en route.*

For a while the *Cambridge* group overlapped with Bloomsbury. It was Virginia Stephen (*as she then was*) who labelled them the Neo-Pagans. But although they would go on reading parties to places with good swimming facilities like Lulworth Cove and were interested in Fabianism, poetry and open-air theatricals, they were never seriously in contention with the Bloomsbury lot for suppleness *of mind. And Brooke* was perfectly beastly when Virginia married Leonard. As we might have guessed from the poem, The Old Vicarage, Grantchester, Brooke had a distinct streak of anti-semitism in his character.

These neo-pagans could not go plunging around for ever. The time came when they had to surface. It was the "plain Jane" Gwen, maker of woodcuts, who blew the whistle by marrying Jacques Raverat, and other marriages followed. Rupert with whom they were all in love played *one off against the other* mercilessly, but he *failed to find* a satisfactory relation with any of them. He came tempestuously *closest* with Ka Cox and they may, it seems, have had a still-born child. Eventually she married Will Arnold-Forster and they had a son. His widow, Val Arnold-Forster, lent Delany a suitcase full of letters to her mother-in-law, providing him with some of the new material on which this excellent study is based. Use is made too of an unpublished roman à clef by Gwen Raverat.

After reading a ruthless book of this sort it is a good idea to go back to the originals, where there are two raissues; first, Brooke's Letters from America. He went there after the débâcle of his affair with Ka. And second, The Poems which are preceded not only by the Edward Marsh memoir, giving the official Golden Boy view of Brooke, but also by a perceptive assessment by Gavin Ewart.

Troubled promised land

PRISONERS OF GOD
by David Smith. Quartet. £12.95, 256 pages

ISRAEL WAS a land of fear and apprehension in those hot and breathless days in May and June 1967. Annihilation loomed as the Arab armies massed and Nasser of Egypt shouted threats. We dug trenches, donated blood and filled sand-bags as the sweat of heat and fear mingled.

Dodging real and imaginary shells as they boomed and banged and crunched around us, we lived a lifetime each hour. Six dramatic and bloody days later all was wild elation and excitement, the battle was won, the nation was saved. We were still alive.

The heady expectations of those blazing June days two decades ago did not bring the Messiah. Unlike power, he did not come out of the barrel of a gun. What did arrive was indigestion.

"With the food comes the appetite" is a favourite expression of my Israeli mother-in-law when she urges us to eat even when we say we are full up. Her nation may not have been hungry when it swallowed large chunks of Arab territory in the great blitzkrieg two decades ago, but the appetite has grown ever since.

In those fearful, frightful days in early June 1967, few would have believed that the coming week-long fight for survival would turn the underdog into an overlord, a David into a Goliath

The resulting entanglement of Israeli and Arab is like two rival stags in the forest whose horns have become inseparably locked and who are condemned to a dance of the doomed. Bloodied and weary, their struggle is still going on two decades later, with no respite in sight.

David Smith, a former Middle East Correspondent for ITN, British Independent Television News, illuminates this through vignettes of the players, great and small, and vivid description of the myriad incidents which make up this troubled tapestry

The viewpoint is that of an observer with no particular axe to grind, a rare occurrence in this emotion-laden region. David Smith makes no judgment about who is right or who is wrong. His book displays sympathy for both sides. Indeed, it sometimes creates the impression that usually the author was most convinced by the last person he *spoke to.*

At times the book irritates by its over-compressed, TV style of writing, but at others it pleases with the clarity of its evocation. Though it can be faulted on detail, the main picture is depressingly accurate.

At the end of the day, the story is one of much despair and little hope. It is hard to be optimistic about the situa*tion created by fear, fanaticism* and greed.

Both the Israelis and the Arabs are the victims: the Palestinians who have had their land stolen, their freedom curtailed, their national aspirations frustrated; the Israelis who have seen the idealism corrupted, their children grown callous to human suffering and now condemned to a perpetual cycle of violence.

Two decades after Israel captured the West bank and the Gaza strip there are no solutions in sight. But if you want to understand the dilemma which is usually referred to as the Middle East dispute, or the Palestinian problem, read this book.

David Lennon

Girl bombed out in Berlin

THE NAKED YEARS: GROWING UP IN NAZI GERMANY
by Marianne MacKinnon. Chatto & Windus. £12.95, 224 pages

BERLINERS ARE supposed to be easy-going and yet tough, and if so, then Marianne Gärtner, as she was born in 1928, proves the generalisation. She was pretty, she was athletic, and her inner life was full of fantasy. Her father was a successful businessman, but there was unhappiness in the house. Just after the Berlin Olympics, Marianne's parents divorced and she was placed in a home in Potsdam, under the care of nuns. This trauma was followed by a sequence of uncertain lodgings and schools.

Married now to a Scot, the adult Marianne is too wise to indulge in *self-pity*—on the contrary, she realises that she has survived hateful events, and accordingly rejoices in the gift of life. Nonetheless, this is a waif's book, evocatively written, sometimes gripping, occasionally sentimental. Quite what was the emotional hold of Hitler upon her and her parents is not clear enough.

For the sake of his career, the *father* accepted membership in the Party. Duty-bound, the young Marianne joined the Hitler Youth, apparently accepting its values yet hating its practices. What mostly preoccupied her was homesickness and her friends. A highlight was a trip early in the war to Milan, for an athletics championship.

The handsome young men who kissed her had to return to the front, and then were not heard of again. Leaving school, Marianne was inexorably enmeshed in the war. Here are bright sketches of working in Pomerania as a landgirl and in a *kindergarten, and of a range of* farmers, landladies and importuning officials.

Evacuating Posen in 1944 to avoid the Soviet army, like many thousands of others, she had to walk through a landscape of ruins and snow. In Berlin, she had the shock of discovering that the house had been bombed out, and not knowing whether her mother and grandmother had survived. At the end of the war, she had sought refuge in Tangermünde, an old town on the Elbe, occupied first by Americans, then by the British. Perhaps a little more flightily than before, she fell in love with officers who wore khaki. One of them informed her that Tangermünde was about to be handed over to the Soviets, and she therefore was in time to get out.

Out of longing to be reunited with her mother for Christmas in Berlin, she then took the foolhardy risk of trying to cross Soviet-occupied territory illegally. Caught, she describes what it is like to be in the hands of soldiers marching her to deportation, and who threaten to rape and *kill* at any moment. Luck and courage brought off one more escape, and finalises *this book's undoubted setpiece.*

David Pryce-Jones

CRIME

BLOOD COUNT
by Dell Shannon. Gollancz. £8.95, 227 pages

ON PAGE 97 of this latest Los Angeles Police Department chronicle, the detective Luis Mendoza—hero of the series—says, about detective novels of the old school: "All those elaborate plots and alibis worked out to timetables. Hardly realistic, as any cop could have told them. That's not how real people behave." Perhaps not, but do real people behave like Dell Shannon's formula-operated puppets? Once again on automatic pilot, the author offers a repeat of the familiar, tired recipe. In *writing detective stories, being* realistic is less important than being interesting.

KNOTS & CROSSES
By Ian Rankin. The Bodley Head, £10.95. 189 pages

RAINY Edinburgh is a perfect setting for this investigation of a series of child murders, which turns into an investigation, too, of Detective Sergeant John Rebus. Though the story moves fast, the author allows himself time and space to round out his characters: not only the complex and appealing Rebus, but also his family, his colleagues, and the other per*formers in this convincing* and compelling drama.

William Weaver

CHESS

THE International Chess Federation (FIDE) recently gave a controversial extra 100 rating points to almost all women players on their six-monthly world rankings. Critics said the increase was too great and would discourage women from open events against men where their enhanced ratings *might be endangered.* FIDE officials claimed that the change reflected a steady improvement in women's overall performance.

Last month's Biel festival staged an interesting validity test of FIDE's decision. Six male Swiss masters were matched in a double-round all-play-all team tournament against six women in the Credit Suisse World Mixed. The women came *from six different* nations and their average rating was equal to the men.

Results provided ammunition for both sides in the argument. The men's team led at half-way by 22-13, consistent with statistical expectation before the 100-point increment. However, the two youngest women—also the two who had played most regularly against men—were more than holding their own. Pia Cramling, who has beaten Korchnoi and other grandmasters, was no surprise; but the remarkable result was *Judith Polgar.*

The youngest of three brilliant sisters, she appeared on *FIDE's July list* with a rating of 2,355, No 17 woman in the world, No 8 outside the USSR, and far ahead of any male of her age. That age was precisely 10 years and 11 months.

After losing her first game in the Credit Suisse Mixed, Polgar drew easily with the only grandmaster on the male team and then went on to celebrate her 11th birthday on July 23 with wins over Jean-Luc Costa, rated 2340, and Claude Landenbergue, 2355, both official masters of the FIDE.

Such results compare with the greatest chess prodigies of the past like Reshevsky, Pomar *and Short, and suggest* that Judith could do even more than her sister, Zsuzsa, to raise the status of women's chess.

The most one-sided *game* of the CS Mixed was also a female victory:

White: Pia Cramling (Sweden). Black: Claude Landenbergue (Switzerland). Queen's Gambit, Tchigorin Defence (Biel 1987).

1 P-Q4, P-Q4; 2 P-QB4, N-QB3; 3 N-QB3, N-KB3; 4 N-B3, B-N5?

This defence, a favourite of the great Russian Tchigorin, is better than it looks, but Black must play exactly. John Watson's Batsford book on the opening shows that 4 . . . PxP! is the only good move here.

5 PxP, KNxP; 6 P-K4, NxN. Or 6 . . . N-N3; 7 P-Q5, N-K4? 8 NxN, BxQ; 9 B-N5 ch.

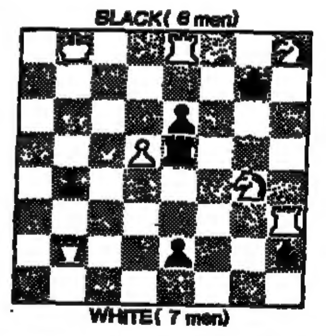
7 *PxN, P-K4; 8 P-Q5, N-N1;* 9 Q-R4 ch, N-Q2; 10 NxP, Q-B3; 11 B-K2!

In Gligoric-Mariotti, Milan 1975, 11 NxB? QxQBP ch; 12 K-Q1, QxR gave White insufficient for his lost material, so 11 P-KB4 was recommended. Cramling's novelty is still better. If now BxB? 12 QxN mate. The only chance seems 11...P-QN4.

11...B-Q3? 12 BxB, QxN; 13 BxN ch, K-Q1; 14 B-Q2, Resigns.

PROBLEM No. 683

BLACK (6 men)



WHITE (7 men)

White mates in two moves, against any defence (by F. Giegold).

Solution on Page XIII

Last week's problem comment that the key move was "decidedly obscure" proved well-founded. Take credit for a correct answer if you worked out, with the aid of the solution, *that the missing white king was* at KB6; while anyone who cracked the problem from the diagram deserves master status.

Last week's other unintentional misprint-created puzzle was who played the game, and where. It was Chandler v. Lobron, Biel 1987.

Leonard Barden

BRIDGE

WHEN opponents' bidding is confident, it is generally a mistake to double the final contract; but when they arrive at some contract after hesitant bidding, a *penalty* double, at first sight fraught with danger, can on occasions yield a rich *harvest if you decide* that the cards are badly placed for the declarer.

Here is an extreme example from rubber bridge:

N
♠ A Q 7 6 5 3
♡ A 9 4
◇ K J 3
♣ 3

W
♠ 4 2
♡ K J 10 7
◇ 6 5
♣ A Q J 6 2

E
♠ K J 10 9
♡ 8 2
◇ 9 8 7 4 2
♣ 10 4

S
♠ 8
♡ Q 6 5 3
◇ A Q 10
♣ K 9 8 7 5

At game-all North dealt and opened with one spade, to which South replied with two clubs. North rebid two spades, South *said two no trumps,* North raised to three, and East doubled! North and South were very competent players—that is important. If you double poor players after such a sequence, they may turn up with hands far better than their bidding suggested and sail home.

West led a spade, East won with the nine and returned the ten of clubs. South covered with his king and the ace won.

Winning the two of spades with dummy's ace, the declarer should have crossed to hand *with a diamond to continue* clubs, but he failed to do this and ended up with only five tricks.

West, a pompous player, said to his partner: "How on earth *could you double with only* four points." "I'm sorry," replied East as he entered 1100 *in the WE column.*

This hand comes from *Competitive Bidding* (Robert Hale £4.95) by Jeremy Flint and Richard Sharp, first published in 1980. You will *enjoy this* book and learn much from it.

★

I remember travelling to Norway to compete in the European championships and playing rubber bridge against Karl Schneider on the voyage. Here is a hand played by him in a championship match:

N
♠ Q 4
♡ Q 8 2
◇ 9 7 4 3
♣ J 10 9 6

W
♠ A K J 10 5
♡ J 10 7 4
◇ Q J 10 5
♣ —

E
♠ 9 8 7 6 3 2
♡ 9 6 3
◇ 8 2
♣ 8 4

S
♠ —
♡ A K 5
◇ A K 6
♣ A K Q 7 5 3 2

With both sides vulnerable, Schneider dealt and bid two clubs (Culbertson). West overcalled with two spades, East bid a psychic two no-trumps, and South jumped to four clubs.

North raised to five clubs, East competed with five spades, and South went seven clubs.

When West led the spade king, the declarer might have regretted that he had not been content with the small slam. But he ruffed the opening lead, drew trumps and ran the remainder of his trumps, discarding two of dummy's diamonds. He had seen a way to make use of dummy's queen of spades, provided that West had at least four diamonds.

In the six-card ending West had ace of spades, knave, ten of hearts, and queen, knave, ten of diamonds; dummy held the spade queen, *his* three hearts, and two diamonds; while declarer held his six red cards. South cashed ace and king of hearts, and the third heart to dummy's queen squeezed West, who discarded a diamond. Now, the six of diamonds was good for the 13th trick.

This hand is taken from *Grand Slams* (Unwin £3.50) by Alan Truscott. In this book, the author gives us 55 grand slams in which there are points of technique, deceptive tactics and great drama.

E. P. C. Cotter

هكذا من الأصل

• ARTS •

Alastair Muir

Nikolai Okhotnikov, who sang the title role at Covent Garden on Wednesday

Virtues of the virtuoso Kirov

Dominic Gill reports on a gripping re-creation of 'Boris Godunov'

MUSSORGSKY'S Boris Godunov is the third and last of the three "Pushkin operas" presented by the visiting *Kirov Opera*—the first visit to Britain by an Russian company—at their short season at Covent Garden. Max Loppert has already reported *here on the Kirov's Queen of Spades* and *Eugene Onegin*, and found each in their fashion grand and powerful experiences. Their *Boris* on Thurs*day night was both grand and* thrilling—and gripping and entirely satisfying recreation, both musically and visually, of the grandest of all Russian operas.

Remarkably—which the company had already shown directly in *The Queen of Spades* to be their most sterling quality—their success was achieved *without the need for, or pre*sence of, especially fine orchestral playing, sensational stag*ing, or world-class singing.* The voices are soundly accom*plished rather than of star*-quality—although the standard never falls below a level of solid excellence. But the virtues are principally the virtues of a *virtuoso company: flexibility*, ease of interaction, response and ensemble, which the conductor and producer can play like a finely-tuned instrument.

Yuri Temirkanov's conduct*ing and staging (he plays the* combined roll of producer-conductor in all three operas, although he shares this production of *Boris* with Boris Pok*rovsky—and I would lay a size*able bet that here, too, Temirkanov's is the major compon*ent) eschews all gimmicks*, but demonstrates at the same time a precise and natural sense of musical flow. We know from the concert hall that he is a conduc*tor of unusual clarity* and energy, especially in the Russian classics; but his handling *of Mussorgsky's score* was exemplary in its pacing, and its *instrumental voicing.*

To their notable credit the Kirov use the Lloyd-Jones edition of the still un-Rimskyed second "revised authentic" ver*sion—which retains* the echt-Mussorgskian resonance *of the* music, with all of its dark, bell-like colours intact, and also restores the beautiful third *scene of Act 2, which offers a* dozen pages as beautiful and arresting as any in the opera.

The sense of corporate achievement is so strong, indeed, and so consistent throughout the work, that it seems almost invidious to single out names from the close-knit whole. The singing of the title *role by Mikail Kit (who took* over the part on Thursday from Nikolai Okhotnikov) was not the glorious bass-baritone assumption that it can be. Both the *voice* and the *stage presence* are restrained, somewhat low-key in their projection. But it has a directness and simplicity of manner, and an easy intel*ligence, which make it* instantly engaging. Yuri Marusin's Grigory is attractive, vocally unremarkable, too nice at heart, one suspected, to be *either Pretender or rabble*-rouser. The chorus, which scene after scene steals the best music of *Boris*, predictably provided the evening's chief vocal delight: quick and *forthright* in their ensemble, tireless in their energy.

Igor Ivanov's stage sets (the company's chief designer has provided sets for all three operas), by report somewhat conventional-seeming and predictable in *The Queen of Spades*, are here more authentically effective. The muted colours—purples, ochre, dark-lit browns and greens — echo the music closely, and glint (sparks of silver, green and gold) as the music glints. Crowd control was *occasionally a problem: but it* was also refreshing—in the first and final scenes especially—to witness *crowd* movement which was for once not self-consciously over-produced, and which had hints of genuine anarchy in its disposition.

Records

From Berg to Benny

Berg: Three Orchestral Pieces Op. 6, **Webern:** Six Pieces Op. 6, **Schoenberg:** Five Orchestral Pieces Op. 16. Berliner Philharmoniker / Levine. Deutsche Grammophon 419 781

Bartok: *Sonata for Two Pianos* and Percussion, Concerto for Two Pianos and Percussion. Katia and Marielle Labèque, Sylvio Gualda and Jean-Pierre Drouet, City of Birmingham Symphony/Rattle. EMI CDC 7 47446 2

Stravinsky: *Pulcinella Suite* (1947), Concerto in E flat "Dumbarton Oaks," Eight Instrumental Miniatures. Orpheus Chamber Orchestra. Deutsche Grammophon 419 628

Bernstein: Prelude, Fugue and *Riffs*, **Copland:** Clarinet Concerto, **Stravinsky:** Ebony Concerto, **Gould:** Derivations, **Bartok:** Contrasts. Goodman, Columbia Jazz Combo and Symphony *Orchestra*/Bernstein, Copland, Stravinsky, Gould; Szigeti and Bartok. CBS MK42227

Strauss: Don Quixote, Till Eulenspiegel. Meneses, Christ, Berliner Philharmoniker / Karajan. Deutsche Grammophon 419 599

ONE aspect of James Levine's fascinating yet problematic disc of the Second Viennese *School*, part of the first fruits of his recordings with the Berlin Phil*harmonic*, is unequalled. No previous recording of Berg's Three Orchestral Pieces *encom*passes their dynamic range and texture complexity more com*mandingly*; the catastrophic climax of the third piece in *particular has a vividness that* is an achievement in itself. But Levine's view of the pieces, which ultimately determines the tone for his approach to both the Webern and Schoenberg sets, is questionably appropriate.

There is no doubt that Levine both comprehends and admires *the scores profoundly.* These are overtly loving performances, almost at times sentimental ones. The way in which the line of the second Berg piece is *deformed (not too* strong a word) for expressive ends would never be tolerated in say a Mahler symphony, and Levine's own Mahler conduct*ing takes a much less indulgent* stance. Why, in music which owes such a stylistic debt to Mahler, he feels it right to pull things around so consistently eludes me. Yet *the result* in the Berg is undoubtedly dramatic; the theatrical *éclat* of *Wozzeck* is strikingly foreshadowed.

But the same kind of lyrical *tolerance blunts* the edge *and* undermines the compression of Webern's Op. 6; tiny orchestral imprecisions and approximate dynamics help further to up*set its poise. Levine uses* the initial version of the score with its huge orchestral forces, rather than the composer's later reduction to more manageable proportions. That should only have served to intensify the impact of its miniatures, but the result is disappointingly diffuse. In Schoenberg's Five Orchestral Pieces the playing is more convincing, and the colours strikingly rendered; again, though, Levine yields to overripe *espressivo*, returning the music to *its* 19th-century roots rather than pitching it teasingly on the cusp of modernism and late romanticism.

The coupling of Bartok's 1938 *Sonata for two pianos* and percussion with the Concerto he worked up from the score two years later is an obvious one, but it has been employed on record relatively rarely. In reality the later inflation adds very little to the original, and *indeed mitigates some of its* daringly bald juxtapositions of *keyboards* and percussion. The contribution of Rattle and the CBSO to the new EMI record*ings with the Labèques* is marginalised, confined to an added emphasis here, a melodic doubling there.

Unsurprisingly, the soloists' approach to both works is virtually identical. The pianists are most convincing in the *outer movements*, where their playing is often dashingly flamboyant; it's *hard* to gainsay the *impulsive acceleration into* the first movement proper, nor the energetic sweep with which the finale is launched. The two percussionists provide an ideal *foil for such an extrovert read*ing; the xylophone in the last movement almost takes the leading role. Where *the Labèques* seem less sure is in realising the textural subtleties of the Lento; the atmosphere is a good deal less magical than it might be. The players feel their way with too much caution, and the *sense of an enchanted world*, filled with very special sounds all *its* own, is never quite achieved.

If in general the rewards of *the Labèque* performances outpoint their defects, the same cannot be said of the Orpheus Chamber Orchestra's Stravinsky collection. The orchestra prides itself on dispensing with the services of a conductor, and that, in music of such rhythmic *bite as Pulcinella, is an achieve*ment in itself. Or it would be *if* the immaculate performance carried any kind of verve; it is strange to hear every instrumental solo delivered with such precision and yet fail to convey any joy or exuberance, and an *unsmiling Pulcinella is almost* a contradiction in terms.

The booklet with the disc reveals one strange fact: it appears as if the recordings were made as long ago as *1982* but released for the first time this year. The performances of *Haydn symphonies which pre*ceded the Stravinsky on to the market were made much more recently, and are a good deal more convincing. It is just *possible that these recordings* were considered rather dull at the time they were made, but have been released now to capitalise on the Orpheus's re*cent celebrity.* Record companies have been known to do such things. . . .

The CBS survey of vintage performances by Benny Goodman, digitally remastered and transferred to compact disc, is *of immense interest both tech*nically—for the refurbishments offer miraculous improvements in sound quality — and musically. The Morton Gould *Derivations is the only dud* here; the account of Bartok's *Contrasts*, with the composer playing the piano and Joseph Szigeti the violin, has become one of the classics of the gramophone. But Goodman's versions with the Columbia Jazz Combo *of Bernstein's Prelude, Fugue and Riffs* and Stravinsky's *Ebony Concerto* (both works written originally for the Woody Hermann Band) are almost *equally valuable, and as a show*case for Goodman's own remarkable facility on the clarinet, his easy command of style and natural musicianship, the com*pilation* could hardly be improved.

No conductor of my experience has been more convincing than Von Karajan in his presentation of Richard Strauss as a real composer, worthy *of* serious consideration. The new version of *Don Quixote* is another spin-off from Karajan's long-running project to make videos of many *of his most illustrious interpre*tations; considerations of recording quality have often seemed to take second place in these productions, and the *balance of forces here is not* ideal. But both *Quixote* and *Till Eulenspiegl* are treated with affectionate broadness, the orchestral playing is predictably immaculate, and *all* Strauss fanciers can be assured of having their prejudices luxuriously confirmed.

Andrew Clements

Radio

No laughing matter

AT 11 o'clock on Monday morning, we had the Radio 1 Road*show from* Hartlepool. Next week, from Monday to Friday, there will be the Radio 2 Railshow, from Aberystwyth, Llandudno, Morecambe, Scarborough *and* Skegness. What Radio 3 has in store for us I don't know—*Strolling on the Prom*, perhaps. Radio 4, starting last Monday, offers us *Noel Edmonds's Awayday*, the means of transport left unspecified.

Because years ago I used to like Noel Edmonds *in Swapshop* on television on Saturday mornings, I thought I would give *his* a *trial*, but his first fixture from the Grand Theatre, Blackpool, was hardly a *triumph*. The theatre was packed, they told us, but it was packed with very *restrained* people. Les Dawson is usually a very funny chap, but I heard *hardly* a titter. True, he wasn't given any particularly funny lines. Stephen Pile *said* that *Blackpool should* be preserved for ever, like the Pyramids, and told us a good *deal* about the Golden Mile, with some dubious recollections of the late Rector of Stiffkey. Mark Miwurdz ("It's not my real name — that's Desmond Miwurdz") divided the hotels between "cheap and comfortable" and "maximum security." Either no one in the *theatre* was laughing or they had not be provided with a microphone. I switched off my set and slunk away, without even having heard songwriter Steve Brown.

Radio 3 is giving us a bigger allowance of drama at the *moment. This week we had a Woyzeck*, directed by Clive Brill in Belfast, with Tim McInnerney as a Northern Irish Woyzeck in a free translation by *John MacKendrick* and too much music not by Alban Berg. On Thursday morning there *was a new play by Rhys Adrian*. Most interesting of the three was Michel Tremblay's *Sainte Carmen* of the Main, a play admired by French Canadians, for whom it was written, but not previously played here.

Tremblay has wrapped up *what* is really a sentimental tale in a style calculated to make it seem more important than *it* is. *Carmen*, a *singer of* Country and Western songs, has been away to Nashville for six months to polish up her techniques. Back in the Main (St *Catharine Street, Montreal) she* is wildly welcomed by her fans, who are mostly prostitutes and other young people of no value, but she encounters three bar*riers*. *The first is Toothpick*, a local gunman with whom she has a current wrangle. The second is Gloria, a singer of South American songs whom she had replaced in public favour. The third is her agent, Maurice, who disapproves of her scheme to sing new songs, *songs* intended to raise the morale of the worthless punters that love her.

But she sings her new songs, and Toothpick and Gloria act as though she were great. Then *in the shower afterwards, her* dresser Harelip, Maurice's sister, promoted from the ladies' loo, makes a lesbian pass at her. Self-satisfied Carmen *repels her, though they have* been having an affair; Harelip seizes a handy shotgun and shoots her. Toothpick, near by in the dressing-room, seizes the *gun and claims responsibility* for the shot. Gloria will be the star again. The play, mostly written in *stylised* everyday Canadian packed with four-letter words, is treated like a Handel libretto, with contrapuntal choruses ("This morning the sun came up!") or suggested fugues. The Canadian Shelley Thompson was a fine Carmen; Caroline Raphael directed; the translator was John van Burek.

The second of Radio 4's Wednesday afternoon series, *The Quiet Heart*, was David Morgan's *News of the World*—not a monologue, *as I thought*, but it had readings from a 10-year-old boy's diary, something in the same territory. Max spends the weekly shilling he is given for the Sunday *School* collection on a Mars Bar and the eponymous newspaper, where he muddles his way though stories about sexual and marital misdemeanours. At the same time, by means of short contrasted scenes, we learn that *his home life is a marital mis*demeanour. It was touchingly played by Steven Rendall as the boy and Rob Whelan and Pam Ferris as his Mum and Dad. *Steven Rendall turns up again* in the third play next week, *Rhyme or Reason*, by Elizabeth *Baines. He is one of* the two boys taken up by a purposeful single woman to help complete her experience of life. This is my favourite of the three. Harriet Walter is the horrible woman, and Robert Cooper directed all the series.

B. A. Young

Andrew Clements on Nicholas Maw's new work

End of an Odyssey

ANYONE who has *followed* Nicholas Maw's progress as a composer over the last decade *or more, and attempted to piece* together his creative personality, will have been aware that one *vitally important part of the* jigsaw remained unfinished. Dominating Maw's music since 1972 has been the composition of a major orchestral work, *Odyssey, which he has conceived* as a summation of his achievement so far. The gestation of *Odyssey* has been complex and protracted, but it reaches the concert *hall at last next Monday*, when Mark Elder and the BBC Symphony Orchestra give the first performance of three of its five sections at the Proms, an *occasion that promises one of* the most important premieres in British music of the 1980s.

Maw's title consciously evokes ideas of a quest, and from the outset he has viewed *Odyssey as charting* a psychological and spiritual journey. The scale of the piece was always *going to* be fairly massive, though even the composer did not originally envisage an abstract work playing continuously for 100 minutes, making it *perhaps* the longest span of orchestral music yet composed. The London *Symphony* Orchestra first asked for a piece in 1972, but allowed the commission to lapse after roughly half the work had been completed. Maw continued to *worry over* the score throughout the 1970s but only got down to completing *it two years ago* when the BBC took over the commission, and bought him the time to *see* his concept through.

The dimensions of *Odyssey* inevitably attract comparisons with the *symphonies* of Bruckner and Mahler. Maw is quite happy to relate his work to late romanticism, for he has long asserted that his mission as a composer *is to restore* the continuity with the romantic tradition which he believes was broken by the rise of modernism in the first quarter of the 20th *century*. It may not be fashionable to declare one's favourite composers as Bruckner and Brahms, Wolf and Richard Strauss, but Maw does, and *his* richly sensuous harmonic language and lush textural palette reflect his fondness.

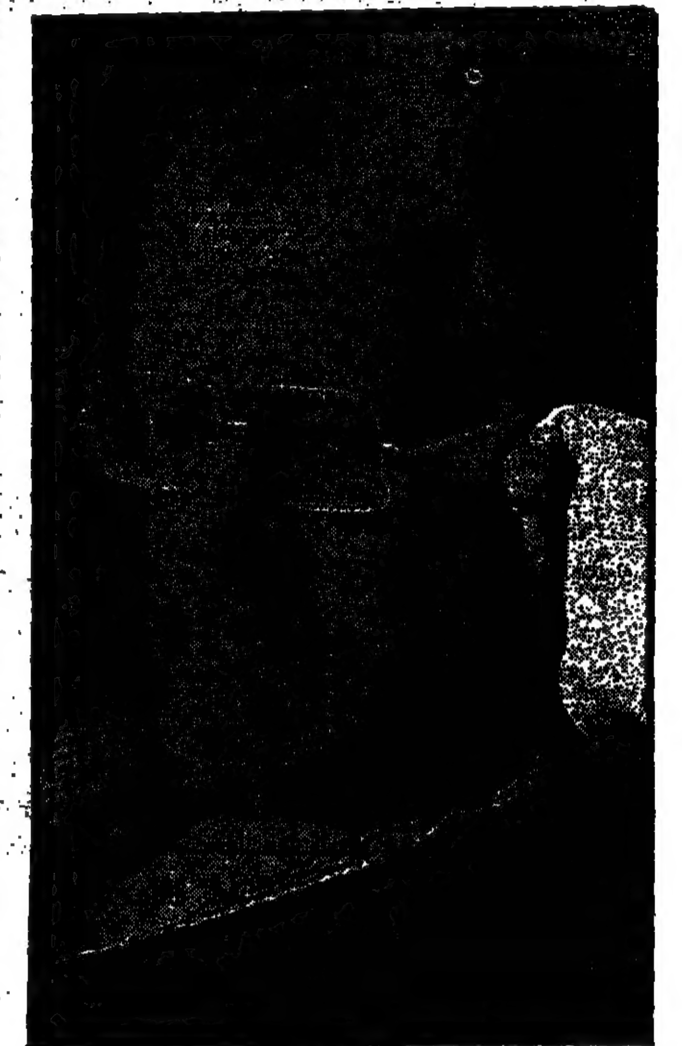
What he strenuously denies is that *Odyssey* is in any way *symphonic*, viewing it more as a sweeping panorama of moods and themes, by no means tying itself to rigorous thematic development. The spacious architecture certainly echoes Bruckner, but the way in which the music moves towards lucidity, progressively simplifying its harmonic language and clarifying its textures reflects very closely the change that has overtaken *Maw's style* in the last 15 years, as he has gradually dispensed with the expres*sive inessentials*.

The BBC's decision to perform only three sections of *Odyssey*, the second, fourth and fifth, with the promise of a complete public performance *within two years, was taken for* practical reasons. Rehearsing an unfamiliar score of such a *length within the already* hectic schedule of the BBCSO during the Proms was bound to cause *problems*; much *of* Maw's instrumental writing demands a virtuosic response from the players. Nevertheless the loss of some 25 minutes' music from the *premiere inevitably* takes some of the gilt off the occasion.

Maw now seems reasonably sanguine about the cuts, pragmatic enough to prefer to hear some rather than none *of the* work over which he has toiled for so long. But he is concerned that *some of the score's* large-scale structure and thematic coherence might well be jettisoned in the process. The two sections lost have vital functions *in the overall scheme*: the first sets the stage for an epic musical discourse, music that "gropes towards articulation" in Maw's phrase, spawning ideas *as it goes; the other, Odyssey's* central intermezzo, was intended to provide relaxation and relief between the highly wrought music flanking it; that now will be heard without any chance of relaxation.

Towards the end also, Maw had designed music specifically to be experienced after 90 minutes or more of argument; that now will not be heard in its true context, and *some* of the themes which return at the same point will be entirely new *to Tuesday's audience, whereas* in the complete work they would appear earlier in the two lost sections. Enough *of* the essence of *Odyssey* should be left, however, for the *viability of* the concept of a work on such a scale to be tested.

There is nothing "neo" about Maw's romanticism; he is not borrowing from a tradition that is dead, but breathing new life into a continuing one. The last *flowering of* romanticism exploded in the gargantuan structures of *Mahler's Eighth* and Ninth Symphony and Schoenberg's *Gurrelieder*; Maw is now *attempting to reshape* that mould. *Odyssey* ends with a cataclysmic climax, after *which* the music can only wind itself into silence. Gestures of such grandiloquence seem dangerous nowadays; if Maw makes them viable *again* he will *have* gone a long way in restoring the tradition; if not, then it will be undoubtedly a most splendid failure.



Nicholas Maw

David Murray on a fine Glyndebourne revival

Porgy returns in style

This Glyndebourne Festival of *Porgy and Bess* does as much honour to Gershwin as the original did last year. Richard Bradshaw has replaced Simon Rattle as conductor, and the *score still makes a marvellous tonic*. A touch more eagerness to get on with things would help the first couple of scenes, but Bradshaw holds the tricky balance between operatic full *dress* and *show-song* razzmatazz. So does Trevor Nunn's vastly skilful, humane production (now reheased by Alby James), and most of the 1986 cast are *back again*.

Is Porgy and Bess an *opera* or a musical comedy? Simple answer: in the broad sense, of course it's an "opera," but in the special sense in which "opera" is *technically* distinguished from musical comedy. Gershwin's piece belongs to the latter kind. Being ambitious and serious, it is *unusually full of music* and invites opera-calibre voices, but it is built around big Broadway numbers (with big, unabashed reprises) and orchestrated to *match. The fill, decidedly* over-orchestrated, is chiefly scene-music, with some harmonic experiments and a lust for Ravel's favourite chord (dominant-7th with a flat 10th).

That isn't a put-down — Gershwin traces the fortunes of his characters (more precisely, DuBose Heyward's) with absolute sympathy, within the *generous* conventions of his medium. (*Bel Canto* opera was far more restricted.) Besides the imperishable solo numbers — and Serena's prayer, which suggests that Gershwin must have known Ravel's "Kaddisch" setting — there are *tremendous* quasi-ethnic inventions for multiple voices, stirringly realised by the Glyndebourne cast.

What Nunn and Alby James have done is to allow *Porgy* to become a modern Black "opera" (the cast is all-black except for the mean white *officials*, as the Gershwin estate requires of all productions); and they *have done it through* devoted naturalism, letting every character develop without *slipping into show-stereo*types. Everything gains; the seams between big numbers and mere fill become imperceptible, and with the con*tinuous emotional grip* we hear the high spots as summings-up, not as separate show-stoppers.

I *regret only Nunn's ending*, which has Porgy—originally a crippled beggar in a self-propelled little cart, but here one of the walking wounded—*throwing away* his crutches as he sets out on his crazy 1000-mile walk to *find Bess in New* York. We see the uplifting symbolic point, but we don't believe it.

Willard White gives us a nobly three-dimensional Porgy, too dour and internally knotted to *pass* for a conventional saint (he hardly ever smiles), but resplendently sung. Cynthia Hamon's Bess is an equally subtle study, neither pure tart *at the start* nor reformed angel in the middle. (Her addiction to *sniffed* "happy dust"—a chemical plot-agent like Isolde's *Liebestrank* or Siegfried's for*getfulness-draught—must strike* a chord in all the City people who patronise Glyndebourne these days.) Damon Evans parades a virtuoso Sportin' *Life*.

Among the newcomers are Sheryl Melvin's Clara (she *gets* "*Summertime*," again and again), fragile and appealing, and Richie Pitts' honest Robbins (an early fatality). John Gunter's sets, Hersey's lighting, *Charles Augin's choreography* and Terry King's savage fights are all sensationally effective.

Chess No 683

1 R-QB8. If PxR; 2 Q-N7 mate, or if RxP dis ch; 2 R-B7 double check and mate.

WEEKEND FT

SPORT

Cricket/Philip Coggan

England's World Cup headaches

England seem fated to an autumn of discontent. Without Botham, selection will be a major problem.

GONE ARE the days when the final Test of a series would bring the sudden and dismal prospect of barren, cricket-less months. While village cricketers are still eking out the last few hours of daylight, scrambling among the falling leaves for the chance of a run-out, England's team will be in India and Pakistan battling for the fourth World Cup.

India are the reigning champions after that improbable West Indian batting collapse to the medium-paced wobblers at Lord's four years ago. The Indian victory ended the West Indies' stranglehold on the cup and heralded an era of close competition between the six major Test-playing nations.

England have found few easy victories over the past few years, losing at home to India and New Zealand last summer and being in danger of repeating the trick against Pakistan this year. Only the odd victory against Australia has lightened the gloom.

Indeed, it could be argued that England and Australia are the worst cricketing nations at present, and that the Ashes matches, while full of historical resonance, are about on a par with a football match between Accrington Stanley and Gateshead.

Despite the one-day victories over both Pakistan and the West Indies last winter, it must be doubted if England have the strength in depth to win the World Cup abroad when they failed three times to do so at home.

Gatting has hit out strongly at criticism of his captaincy but without really explaining some of his recent extraordinary decisions. If you think the wicket will help seam, play your seamers and ask the opposition to bat. If you think it is a good wicket or will take turn as the match goes on, play your spinners and bat yourself. To omit a pace bowler, rely on a rusty Botham as third seamer and then insert Pakistan, as Gatting did in the fourth Test, defies common sense.

Gatting's headaches are likely to increase this autumn. Without Botham, selection is going to be a real problem—five specialist bowlers are a must at this level since one shudders to think what the West Indians might score off a full quota of overs from Gooch.

And the two strike bowlers now in the team—Foster and Dilley—are wicket-takers rather than run-restricters. Each could well concede four runs an over in a one-day match. So, the inclusion of two more accurate bowlers, such as Emburey and Small, will be a necessity. That will mean batting with a tail of, say, Emburey, DeFreitas, Foster, Small and Dilley with Downton at No 6.

It does not look a very strong one-day batting line-up compared with, say, Pakistan, who can afford to play a big hitter like Wasim Akram at No 10.

Pakistan must have a good chance. Although their bowling outside the opening pair has lacked penetration, the batting of players like Javed Miandad and Salim Malik, as England have already found to their cost during the current Test at the Oval, is devastating in the right conditions. And, on home pitches, they are less likely to indulge in the sort of panic-filled collapses seen on the last day of the fourth Test.

Nor can one rule out a repeat victory by India, despite the fact that they have hardly dominated the game since their victory four years ago. As last year's success in England showed, bits-and-pieces players like Roger Binny and Chetan Sharma can bely their modest reputations with outstanding performances at international level.

Australia showed some signs of revival towards the end of last winter—with Dean Jones proving himself an international-class batsman and Steve Waugh showing signs of becoming a formidable all-rounder. But the bowling still seems to depend heavily on the lanky Bruce Reid—and he is far from infallible, as the 18

Something to smile about? England skipper Mike Gatting: extraordinary decisions.

clubbed off him by Allan Lamb in the final over of one limited-over match indicated only too clearly.

A darker horse will be New Zealand. There should be no doubt by now about the prowess of Martin Crowe and Richard Hadlee, although bowling support for Hadlee looked rather thin on last summer's tour. And Jeremy Coney is perhaps the most under-rated of international all-rounders.

All eyes, however, will be on the West Indies. Do the departure of Clive Lloyd, the defeats in Australia last winter and the collapse to 53 all out against Abdul Qadir in a Test against Pakistan signal the end of the Caribbean cricketing hegemony?

Somehow, it seems unlikely—Viv Richards will, after a summer languishing in the Lancashire League, undoubtedly have a lot to prove. And despite the retirement of Michael Holding from Test cricket, and the definite and probable absence of Malcolm Marshall and Joel Garner respectively, West Indies still have the likes of Courtney Walsh, Patrick Patterson and Winston Benjamin to choose from as the spearhead of their attack.

Last winter the West Indians looked distinctly jaded, but the prospect of reclaiming the World Cup will surely help them recover their zest and they must start as the bookies' favourites. With patriotism likely to make the English second favourites, those who appreciate some spice in the odds should plump for Pakistan on whom to wager the customary fiver.

Let us hope that the world will focus on the cricket and not on the potential distractions. The English have long had a distinctly imperial view of other nations' umpires—as if good eyesight and impartiality were distinctly Anglo-Saxon traits.

When England are losing abroad, managers tend to produce an Identikit list of excuses in which bad umpiring decisions rank alongside foreign food, poor net facilities and cunningly-prepared pitches as reasons for the failures of our noble heroes.

This summer, Pakistan have complained bitterly about certain umpires, and there are fears that revenge is plotted in the autumn. The simple fact is that all umpires make mistakes under pressure and the modern game, with instant replays and Oscar-winning appeals, makes errors all the more likely and all the more noticeable. Shouting "conspiracy" after each dubious lbw decision is not very sensible.

Yachting/Keith Wheatley

Cowes: British fingers are crossed as the Fastnet race starts. But what of the haggling ashore over the America's Cup?

THIS MORNING the brass cannon outside the Royal Yacht Squadron at Cowes, Isle of Wight, sent several hundred yacnts off on ocean racing's best-known contest, the Fastnet Race. For 90 per cent of the boats it will be the usual mixture of fun, competition, seamanship and the confident expectation of a few drinks in Plymouth next week.

For 42 yachts, organised in 14 national teams, the Fastnet will settle the Champagne Mumm Admiral's Cup—offshore racing's unofficial championship.

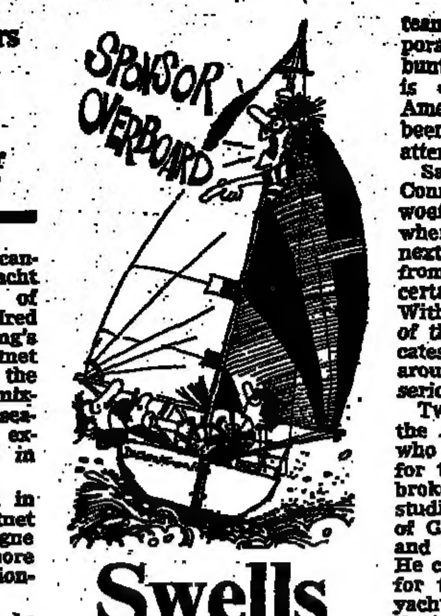
With four races already sailed, New Zealand is comfortably in front. The Kiwis snatched the overall lead from Britain during the third inshore race. The NZ yachts Kiwi, Propaganda and Goldcorp were able to come home fifth, sixth and eighth respectively—a team performance of remarkable consistency.

Peter Walker, a Wellington architect, who is co-owner of Kiwi and team captain, told his crew to go into the Christchurch Bay race—the 4th in the series—looking for a 10-point "cushion" to take into the Fastnet. Starting one point behind the British on aggregate, the boys from sailing-mad New Zealand finished the day nearly 100 points clear.

Last week, Britain and West Germany (the Cup holders) started joint favourites with the Cowes bookmakers. But the German strength and organisation that enabled them to win in 1983 and 1985 is markedly absent this year.

On Wednesday the weather conditions combined to give a perfect illustration of the German problem. Wind and tide were both strong from the south-west, tending to set boats down on the buoy itself at the windward mark. The crack German One-tonner Saudade was crucified on the run into the mark by her British equivalent, Jamarella (helmsman Rodney Pattisson) and forced to circle below the buoy line like an L-driver struck by an anxiety attack at Hyde Park Corner.

After last weekend's Channel



Swells and maxis

Race, a 210-mile romp out to the EC2 navigation mark just north of Cherbourg, Britain was able to take the lead in the Cup points table after a distinctly average first inshore race. Indulgence, skippered by Harold Cudmore, our America's Cup skipper in Fremantle, was particularly impressive as she overtook boat after boat in the later stages.

Supported by Jamarella at the head of the One-ton section of the fleet, British hopes of reclaiming the Admiral's Cup rose considerably. When Indulgence sailed past the US yacht Sidewinder, the American sailors had no answer to her speed but to stand and cheer.

While the Fastnet can be a cruel race (in the terrible storm of 1979 many boats foundered and 15 men died), it can sometimes be kind. If the weather stays relatively light there will be room for tactics and low cunning. The British are sailing on home waters and should have every chance of "thinking" their way to the front.

This has been the first Admiral's Cup to allow team sponsorship, and all the major teams have substantial corporate backing. In terms of bunting, logos and ballyhoo it is coming to resemble the America's Cup—a topic that has been attracting a good deal of attention in Cowes.

San Diego Yacht Club, Dennis Conner's alma mater, have been woefully slow in announcing the where, when and how of the next Cup. Representatives over from California admitted a certain shame at the tardiness. Without this information none of the many challenging syndicates beginning to coalesce around the world can start serious planning or design.

Two weeks ago Michael Fay, the Auckland merchant banker who chaired the NZ challenge for the 1986-87 America's Cup, broke the logjam. Lawyers had studied the 19th century Deed of Gift which governs the Cup and found a loophole for Fay. He challenged San Diego to sail for the trophy in giant maxi-yachts (90 feet on the waterline) by next June. Such a yacht is already under construction in Auckland.

Britain's best-known yachting entrepreneur, Peter de Savary, was quick to respond. His is the guiding hand—plus 10 per cent of the money—in the Blue Arrow challenge for the America's Cup which has been underway for some three months. At a Cowes party where Prince Philip was guest of honour, de Savary announced that he was willing to play in big boats, too.

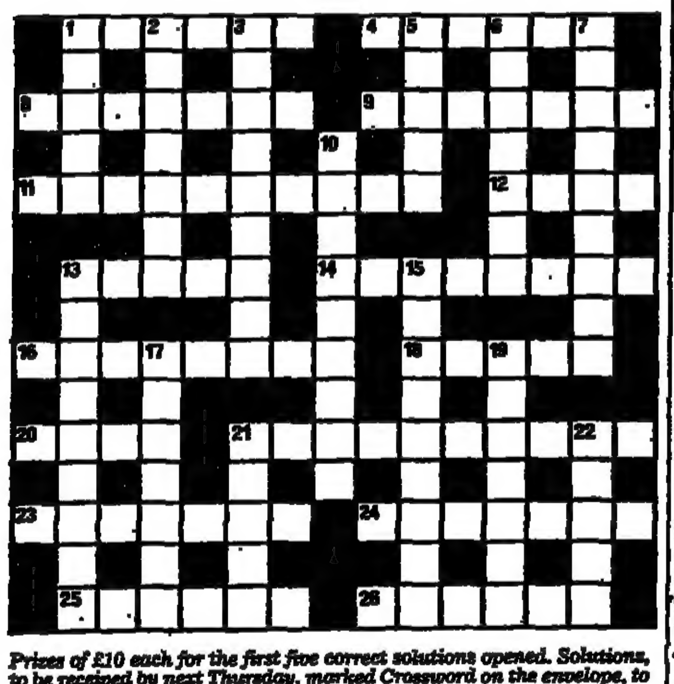
Days later, Alan Bond announced from Australia that he was participating in no less than three challenges for the next Cup: one Sydney, one Perth, and one in this new breed of boat—much talked about but yet to be seen.

San Diego's first reaction was to turn the proposition down flat. But caution made them consult their lawyers first, and the legal eagles have yet to find an escape hatch. Tom Ehman, executive director of the Sail America group that will organise the defence, admitted that "the Kiwi challenge looks to be legally solid."

Michael Fay, Alan Bond and Peter de Savary, along with many other key players in the America's Cup "industry," will be in Cowes this weekend. Whether their attempt to create a new class and return American Cup yachting to 35-man crews of the 1930s J-boats is genuine, or simply an attempt to flush out the slow-moving Californians, should be known quite soon.

FT CROSSWORD PUZZLE No. 6,399

GRIFFIN



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

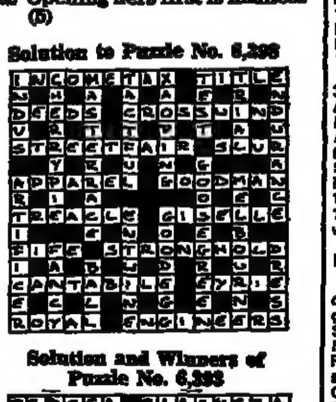
ACROSS

1 The girl the chaps help inside (6)
4 Will perhaps border on violent action (6)
8 Allocate key to diplomat (7)
9 Ghastly horse vehicle interior (7)
11 Firm involved Minter in action (10)
12 Starts having trouble with address (4)
13 Naughty Mary takes ring from top man in town (5)
14 Soldiers guard jogger (8)
16 Need trained dog to enter if required (8)
18 Just dress without a hat (5)
20 Back at The Cross I get a cab (4)
21 Part-time policeman first to become a consultant (10)
23 Bun cooked in butter vessel (7)
24 His beastly opponent tries to give him two points! (7)
25 Still after the Spanish team (6)
26 Grab a little music (6)

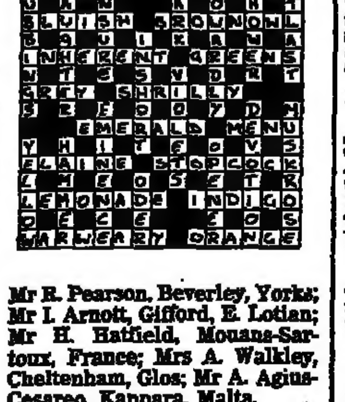
DOWN

1 Gasteropod starts tunnelling in mud (5)
2 Idea backing your figures of speech (7)
3 Help a mere doctor finds short-lived (9)
5 Inexperienced, but back in time to get prize (5)
6 Uncivilised female is after passion (7)
7 Crude men I met taking car for fun (9)
10 After bad burn I'd gone ahead unchecked (9)
13 Due outside in one minute (9)
15 A passing manager? (9)
17 Putting salt in meal I prepared is friendly (7)
19 Irritate worker by dashing (7)
21 Left in a rickety seat, rock (5)
22 Opening hers first is laziness (5)

Solution to Puzzle No. 6,398



Solution and Winners of Puzzle No. 6,393



Mr R. Pearson, Beverley, Yorks; Mr I. Arnott, Gifford, E. Lotian; Mr H. Hatfield, Mouans-Sartoux, France; Mrs A. Walkley, Cheltenham, Glos; Mr A. Agius-Cesareo, Kapoara, Malta.

TELEVISION AND RADIO

SATURDAY

† indicates programme in black and white

BBC1

8.30 am The Family Ness. 8.35 Dogtanian and the Three Muskehounds. 9.00 It's Wicked! 10.52 Weather. 10.55 Grandstand including: Cricket (Fifth Test—England v Pakistan); The British Midland Ulster Rally; The 1987 British Kart Grand Prix; Racing from Haydock. 5.05 Cartoon.

5.15 News. 5.30 The Krankies' Elektronik Komik. 6.05 Rolf Harris Cartoon Time. 6.30 Film: "Carry On Cowboy." 8.00 Seaside Special. 8.50 Bluebell. 9.45 News and Sport. 10.00 Miami Vice. 10.45 Monty Python's Flying Circus. 11.15 Golf. (US PGA Championship). 12.45 am Cricket: Fifth Test (highlights of the third day's play).

BBC2

2.20 pm Network East. 3.00 No Limits. 4.00 The City. 4.40 Cricket: Fifth Test—England v Pakistan. 6.15 Come Home Julie. 6.55 Discovering Portuguese. 7.20 Newsview. 8.00 Dennis O'Neill. 8.35 Film: "Citizen Kane," starring Orson Welles with Joseph Cotten. 10.30 On Stage. 10.55-12.30 am Film: "Blood From The Mummy's Tomb."

LONDON

6.55 am TV-am Breakfast Programme. 9.25 Get Fresh. 11.30 The Roxy. 12.00 News. 12.05 pm Wrestling. †12.40 "The Wooden Horse," starring Leo Genn, Anthony Steel and David Tomlinson followed by Autumn Preview. 2.30 Football—Mercantile Credit Classic: The Football League v The Rest of the World.

5.00 News. 5.05 Walt Disney Presents. 5.15 Champion Blockbusters. 6.00 Cue Gary! 6.45 Kate & Ted's Show. 7.15 5 Alive. 7.45 Family Fortunes. 8.15 Summertime Special. 9.15 News. 9.30 Bulman followed by Autumn Preview. 10.35 LWT News Headlines followed by Star Movie: "Brubaker," starring Robert Redford. 12.55 am The Baron.

CHANNEL 4

9.30 am Listening Eye. 10.00 The Home Service. 10.30 Scotland's Story. 11.00 Same Difference. 11.30 Dancin' Days. 12.25 pm Sea War. 12.55 World of Animation. 1.05 "Rope of Sand," starring Burt Lancaster and Paul Henreid, with Corinne Calvert, Claude Rains and Peter Lorre. 3.00 Channel 4 Racing from Newmarket. 5.05 Brookside Omnibus.

6.00 Right to Reply. 6.30 News Summary followed by Athletics: The European Junior Championships. 7.30 Bandung File. 8.30 All Muck and Magic? 9.00 Nights and Days. 10.00 St Elsewhere. 10.55 James Brown: London 1985. 11.55 "The Brides of Dracula," starring Peter Cushing. 1.30-3.00 am "Victory," starring Fredrick March.

S4C WALES

1.15 pm Symphony. 11.45 What the Papers Say. 12.00 Six Centuries of Verse. 12.30 Space Craft. 1.00 Feature Film: "Funny Face," starring Fred Astaire, Audrey Hepburn and Kay Thompson. 3.00 Racing from Newmarket. 5.00 The Struggles for Poland. 6.00 World of Animation. 6.20 The Dragon Has Two Tongues. 6.50 Newyddion. 7.00 Eisteddfod Genedlaethol Frenhinol Cymru.

IBA Regions as London except at the following times:

ANGLIA

12.55 am Signs of a Saint.

CENTRAL

1.00 am Prisoner Cell Block H. 1.55 "Aces High," starring Malcolm McDowell and Christopher Plummer. 4.10 Central News followed by Central Jobfinder '87.

CHANNEL

11.59 am Today's Weather. 12.55 am Tina Turner at Devil's Lake.

GRAMPIAN

12.40 pm Feature Film—"Half A Sixpence," Tommy Steele and Julia Foster star. 3.25 Cartoon. 3.30 The Alloa Scottish Professional Golf Championships. 12.50 am Reflections.

GRANADA

11.30 am America's Top Ten. 12.55 pm Police Woman. 1.50 Worlds Beyond. 2.20 America's Top Ten.

SCOTTISH

12.40 pm Small Wonder. 1.10 "Those Magnificent Men In Their Flying Machines," starring Sarah Miles, James Fox, Terry-Thomas and Eric Sykes. 3.30 The Alloa Scottish Professional Golf Championships. 1.00 am Late Call.

TSW

11.57 am TSW News. 5.05 pm Newsport. 5.07 Walt Disney Presents. 12.55 am Postscript.

TVS

11.57 am TVS Weather. 1.00 am Tina Turner at Devil's Lake. 2.00 Company.

TYNE TEES

11.58 am Lunchtime News. 5.03 pm Ulster News. 9.27 Ulster News. 10.30 Showjumping—The Dublin Horseshow. 11.00 Feature Film: "Winterhawk," Michael Dante, Leif Erickson, Dawn Wells and Elisha Cook Jr. 12.30 am Sports Results. 12.35 News at Bedtime.

Stereo on VHF

BBC RADIO 2

8.05 am David Jacobs. 10.00 Sounds of the 60s. 11.00 Album Time. 1.00 pm Wise on the Wireless. 1.30 Sport on 2 including Football (Football League team v. Rest of the World, plus news from the Fine Fare Scottish League opening matches); Cricket (Fifth Cornhill Test, England v Pakistan plus news of the Britannic Assurance County Championship); Athletics (European Junior Championships); Motor Racing and Golf (US PGA Championship).

6.00 The Matchplay Quiz. 6.30 Song By Song By Sondheim. 7.00 Three In A Row. 7.30 A Night At The Opera. 9.30 String Sound. 10.05 Martin Kelner. 12.05 am Night Owls with Dave Gelly. 1.00 Bill Rennells presents "Nightride." 3.00-4.00 A Little Night Music.

BBC RADIO 3

7.00 am News. 7.05 Morning Concert. 9.00 News. 9.05 Stereo Release. 10.55 French Cello Sonatas. 11.40 Marriner's Mozart. 1.00 pm News. 1.05 Takashi Shimizu and Gordon Back (violin and piano). 2.00 Maria Callas in the two-act opera "Il barbiere di Siviglia," libretto by Cesare Sterdini, music by Rossini. 4.30 Ravel played by Enid Katahn (piano). 5.00 Jazz Record Requests. 5.45 Himalaya. 6.30 Music For Organ. 7.05 Madame Paradis by Timberlake Wertenbaker, read by Jane Lapotaire. 7.30 Proms 87: Howard Shelley (piano), BBC Singers, BBC Concert Orchestra, conducted by Barry Wordsworth, part 1: Tchaikovsky (Polonaise and Waltz) (Eugene Onegin), Rachmaninov (Piano Concerto No 2 in C minor). 8.20 The Most Chic Ballet Ever Invented. 8.40 Proms 87, part 2: Poulenc (ballet: Les Biches). 9.30 Escape from the Harem. 10.30 The Moor's Revenge (music by Purcell for Aphra Behn's play "Abdelazer"). 10.50 BBC Singers at St John's. 11.57-12.00 News.

Medium wave as above except: 10.55 am-6.30 pm The Fifth Cornhill Test, England v Pakistan, from the Oval.

BBC RADIO 4

7.00am Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 News; Loose Ends, hosted by Ned Sherrin. 11.00 News; Talking Politics. 11.27 From our own correspondent. 12.00 On the Big Day. 12.25 pm Quote . . . Unquote (S). 12.55 Weather. 1.00 News. 1.10 With Great Pleasure (S). 1.55 Shipping forecast. 2.00 News; Second Edition. 3.00 News; The Afternoon Play (S). 4.30 SO4 (Science on 4). 5.00 The Living World. 5.25 Week Ending. 5.50 Shipping forecast. 5.55-6.00 Weather.

6.00 pm News. 6.25 In the Psychiatrist's Chair. 7.00 Saturday Night Theatre (S). 8.30 Baker's Dozen (S). 9.30 Thriller! 9.50 Ten to Ten (S). 9.58 Weather. 10.00 News. 10.15 In Keeping with Tradition. 10.30 Braden Beside Himself (S). 11.00 Even Looser Ends. 12.00-12.15 am News.

Peter Cushing in The Brides of Dracula: C4, 11.55 pm

SUNDAY

† indicates programme in black and white

BBC1

8.55 am Play School. 9.15 Articles of Faith. 9.30 This is The Day. 10.00 What on Earth . . ." 10.25 Antiques at Home. 10.55 The Healing Arts. 11.45 Favourite Walks. 12.10 pm Sign Extra. 12.35 Farming. 12.58 Weather for farmers. 1.00 News Headlines. 1.05 Bonanza.

1.50 Tom and Jerry. 2.00 EastEnders. 3.00 Film: "She," starring Ursula Andress, Christopher Lee, Peter Cushing and Bernard Cribbins. 4.40 Holiday Air 87. 5.45 Aled. 6.15 Lifeline. 6.25 News. 6.40 Home on Sunday. 7.15 Screenstory: Peter the Great. 8.45 Bread. 9.15 That's Life! 10.05 News. 10.20 Choices. 11.00 When in Spain. 11.25 The Sky At Night. 11.50 Network East.

BBC2

1.30 pm Sunday Grandstand including 1.30 Motor Racing (the Hungarian Grand Prix); 3.10 Karting from Silverstone; 3.35 Racing from Phoenix Park; 3.45 Karting; 4.10 Cricket (the Refuge Assurance League—Gloucestershire v Kent); 5.00 Karting; 5.30 Cricket; 6.20 Karting. 6.50 It's Garry Shandling's Show. 7.15 Favourite Things. 7.45 The Flight of the Condor. 8.40 Top Crown. 9.25 The Paul Daniels Magic Show. 10.05 Film: "Constance." 11.45 Grand Prix. 12.10-1.00 am Golf (US PGA Championships).

LONDON

6.55 am TV-am Breakfast Programme. 9.25 Cartoon Time. 9.35 Punky Brewster. 10.00 Wake Up London. 10.45 Cartoon Time. 11.00 Morning Worship. 12.00 A Jobwatch Special. 1.00 pm Face The Press. 1.30 Getting On. 2.30 LWT News Headlines followed by "High Tide at Noon." 4.30 Shadow of the Stone.

5.00 Turning the Tide. 5.30 Athletics: The European Junior Championships. 6.30 News. 6.40 Sing Out. 7.15 Tarby's Frame Game. 7.45 Wolf to the Slaughter followed by Autumn Preview. 9.05 Crazy Like a Fox. 10.00 Watching. Programme. 11.15 LWT News Headlines followed by The Bolshoi from Edinburgh. 12.30 am Derrick.

CHANNEL 4

9.25 am Fahmida's Story. 10.00 Bandung File. 11.00 The Waltons. 12.00 Network 7. 2.00 pm Nature in Focus. 2.30 "Satyagraha" (opera by Philip Glass about the early life of Gandhi). 5.40 News Summary followed by Sunday By The Sea. 6.00 Skate Electric British Artistic Roller Skating Championships. 7.00 Challenge to Sport (Netball). 7.15 Fat Man Goes Norse. 8.15 Video From Russia: The People Speak. 9.15 The Last of a Dyin' Race. 10.15 American Football: The America Bowl 1987.

S4C WALES

10.00 am Bandung File. 11.00 The Waltons. 12.00 Network 7. 2.00 pm Feature Film: "The Benny Goodman Story." 4.00 The Fate of the Language. 5.00 Equinox. 6.00 Skate Electric British Artistic Roller Skating Championships. 7.00 Challenge to Sport. 7.20 Newyddion. 7.30 Ywryson Y [illegible]. 8.30 Eisteddfod Genedlaethol. 10.15 The American Bowl 1987.

IBA Regions as London except at the following times:

ANGLIA

9.25 am Cartoon Time. 9.30 Film: "Professor Poopsnagle's Steam Zeppelin—A Race to the Finish." 1.00 pm Anything Goes. 1.25 Weather Trends. 1.30 Farming Diary. 2.00 Shakespeare's Country. 2.30 Sunday Cinema: "Breakfast at Tiffany's," starring Audrey Hepburn. 12.30 am Ghana Revisited.

BORDER

9.25 am Border Diary. 9.30 Professor Poopsnaggle's Steam Zeppelin: A Race to the Finish. 1.00 pm Farming Outlook. 2.00 Revelations. 2.30 Turning the Tide. 3.00 Shadow of Stone. 3.30 Scotsport Summer Special.

CENTRAL

9.30 am Professor Poopsnagle's Steam Zeppelin: A Race to the Finish. 1.00 pm Getting On. 1.30 The Care Bears. 2.00 The Mad Dog Gang Meets Rotten Fred and Ratsguts. 2.30 "They Who Dare," starring Dirk Bogarde. 9.05 Murder, She Wrote. 12.30 am Prisoner Cell Block. 1.25 Donahue:

Tom Vernon in Fat Man Goes Norse: C4, 7.15 pm

Diahann Caroll. 2.25 The Moviemakers. 2.55 Central News, followed by Central Jobfinder '87.

CHANNEL

9.25 am Today's Weather. 9.26 Starting Point. 9.30 Professor Poopsnagel's steam zeppelin. 1.30 pm Les Francais Chez-vous. 2.00 Shakespeare's Country. 2.30 The Sunday Matinee: "The Biggest Bank Robbery. 6.25 Channel News Headlines.

GRAMPIAN

9.25 am Crystal Tipps and Alistair. 9.30 Feature Film: "Professor Poopsnagle's steam zeppelin: A race to the finnish." 11.00 The Year Was—"Claire Rayner." 11.30 Country Ways. 1.00 pm Farming Outlook. 1.30 The Grampian Television Invitation Bowling Tournament. 2.30 Turning the Tide. 3.00 Shadow of the Stone. 3.30 Scotsport including Golf and Athletics. 7.45 The Bolshoi Theatre Orchestra at the Edinburgh International Festival. 9.00 Watching. 9.30 News, followed by Area Weather Forecast and a Look Ahead. 9.45 Wolf to the Slaughter. 10.45 The Jimmy Young Television Programme. 11.30 The Silk Road. 12.30 am Reflections.

HTV

9.25 am Max the 2000 Year Old Mouse. 9.30 "Professor Poopsnagles Steam Zeppelin: A Race to the Finish." 1.00 pm West Country Farming followed by Weather for Farmers. 2.00 The Shakespeare Trilogy. 2.30 The Sunday Matinee: "Escape From the Planet of the Apes." 6.30 HTV News. 9.05 Murder, She Wrote.

GRANADA

9.25 am Crystal Tips and Alistair. 9.30 "Professor Poopsnaggle's Steam Zeppelin: A Race to the Finish." 1.00 pm Members Only. 1.05 Aap Kaa Hak. 1.10 Turning the Tide. 1.40 This is Your Right. 2.00 Shakespeare's Country. 2.30 The Sunday Matinee: "The Spy Who Came in From The Cold," starring Richard Burton and Claire Bloom. 5.00 Survival. 12.30 am What The European Papers Say.

TSW

9.25 am Look and See. 9.30 Film: Professor Poopsnagle's Steam Zeppelin: A Race to the Finish" (TV Movie). 1.00 pm The South West Week. 1.30 Farming News. 2.00 Shakespeare's Country. 2.30 The Sunday Matinee: "Breakdance" starring Lucinda Dickey and Adolfo 'Shabba-Doo' Quinones. 4.00 Turning The Tide. 4.30 Gardens For All. 5.00 Shadow of the Stone. 6.35 TSW News. 12.30 am Postscript Postbag.

SCOTTISH

9.25 am Gagomania. 9.30 "Professor Poopsnaggle's Steam Zeppelin: A Race To The Finish." 11.00 Terrahawks. 11.30 Farming Outlook. 1.00 pm The Silk Road. 2.00 Adventurer. 2.30 Turning The Tide. 3.00 Shadow Of The Stone. 3.30 Scotsport Summer Special. 7.45 The Bolshoi From Edinburgh. 9.00 Watching. 9.30 News followed by A Look Ahead. 9.45 Wolf To The Slaughter. 10.45 The Jimmy Young Television Programme. 11:30 Late Call. 11.35 Bowls.

TVS

9.25 am Victor and Maria. 9.30 "Professor Poopsnagle's Steam Zeppelin: A Race To The Finish." 1.00 pm Getting On. 1.30 Struggle Beneath the Sea. 2.00 Shakespeare's Country. 2.30 The Sunday Matinee: "The Biggest Bank Robbery," starring Richard Jordan and David Niven. 6.25 TVS News. 12.30 am Company.

TYNE TEES

...9.25 am Hello Sunday. 9.30 "Professor Poopsnagle's Steam Zeppelin: A Race To The Finish." 1.00 pm Farming Outlook. 1.30 Face The Press. 2.00 The Men Who Wanted To Change The World. †2.30 Sunday Matinee: "City For Conquest." 12.30 am Epilogue.

ULSTER

9.25 am Cartoon Time. 9.30 Feature Film: "Professor Poopsnagle's Steam Zeppelin: A Race To The Finish." 12.58 pm Lunchtime News. 1.00 Face The Press. 1.58 Farming Weather. 2.00 Suffering In Faith. 2.45 Feature Film: "Crash Drive," starring Tyrone Power, Dana Andrews and Anne Baxter. 6.38 Ulster News. 9.02 Ulster News. 12.25 am Sports Results. 12.30 News at Bedtime.

Stereo on VHF

BBC RADIO 2

7.30 am Roger Royle Says "Good Morning Sunday." 9.05 Melodies For You. 11.00 Desmond Carrington with Your Radio 2 All-time Greats. 2.00 pm Stuart Hall's Sunday Sport (Medium Wave only). 6.30 Charlie Chester with your Sunday Soapbox. 7.35 Grand Hotel. 8.30 Hymns on Holiday. 9.00 Jack Brymer Presents. 10.05 Songs from the Shows. 10.45 Ralph Dollimore . . . at the piano. 11.00 Sounds of Jazz. 1.00 am Steve Madden presents "Nightride." 3.00-4.00 A Little Night Music.

BBC RADIO 3

7.00 am News. 7.05 Solomon, the pianist, plays music by Chopin and Schumann. 8.00 World Service News. 8.10 Theme and Variations. 9.00 News. 9.05 Your Concert Choice. 10.45 Prom Talk. 11.15 Arleen Auger and Dalton Baldwin (soprano and piano). 11.50 (Interval Reading). 12.30 pm New Budapest String Quartet. 1.30 Howard Blake's Benedictus. 2.40 Emanual Vardi (viola) with Kathron Sturrock (piano). 3.20 Age of Enlightenment. 4.25 (Interval Reading). 5.00 A Song Of Summer. 6.00 Proms 87, from the Royal Albert Hall, London. Wagner's Parsifal (Act 3), with the English National Opera Chorus and Orchestra. 7.20 John Ogdon (piano): Busoni, Sibelius, Bentzon, Menotti. 8.40 Publicity? Be Damned, by Graeme Fife. 9.00 Proms 87, from the Royal Albert Hall, London. New London Consort, directed by Philip Pickett, plays music by Praetorius. 10.00 Xenakis and Bartok performed by Roger Woodward (piano), BBC Singers, BBC Symphony Chorus and BBC Symphony Orchestra. 11.15 A Swiss Nocturne, by Othmar Schoeck. 11.57-12.00 News.

BBC RADIO 4

7.00 am News. 7.10 Sunday Papers. 7.15 Waterlines. 7.40 Sunday. 8.50 The Week's Good Cause. 9.00 News. 9.10 Sunday Papers. 9.15 Letter from America, by Alistair Cooke. 9.30 Morning Service. 10.15 The Archers (Omnibus edition). 11.15 News Stand. 11.30 Pick of the Week (S). 12.15 pm Desert Island Discs (S). 12.55 Weather. 1.00 The World This Weekend. 1.55 Shipping Forecast. 2.00 A Small Country Living. 2.30 The Afternoon Play. 3.30 On The Corner. 4.00 News; Enterprise. 4.30 The Natural History Programme.

5.00 News; Down the River. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News. 6.15 A Sideways Look at . . . 6.30 International Assignment. 7.00 Persuasion, by Jane Austen (S). 8.00 A Good Read. 8.30 The Cross And The Crescent (S). 9.00 News; Lexicon of Laughter (S). 9.30 A Splendid Discipline (S). 10.00 News. 10.15 Up, You Mighty Race. 11.00 Seeds of Faith (S). 11.15 John Morgan on Charm. 11.30 Hermione (the final programme in a six-part tribute to Hermione Gingold). 12.00-12.15 am News.